

HOUSING ELEMENT OF THE GENERAL PLAN



City of Capitola

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HOUSING ELEMENT OF THE GENERAL PLAN



City of Capitola

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Housing Element of the General Plan
City of Capitola

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Housing Element of the General Plan City of Capitola

EXECUTIVE SUMMARY

Housing in Capitola is uniquely balanced. Over 63% of Capitola's housing units are in multiple-family structures, and over 53% of its units are renter-occupied. In 2000 Capitola had a population density of 6,220 persons per square mile and a housing unit density of 3,292 units per square mile.¹ Multiple family dwellings and mobilehome parks are interspersed within and adjacent to single family neighborhoods. Many commercial areas are already zoned and established for mixed uses.

The City of Capitola has been and continues to be an ardent proponent of affordable housing. It has actively assisted with the construction of new affordable units and the maintenance of its existing affordable housing stock. In this 2000-2007 Housing Element Update, the City of Capitola outlines an ambitious plan to identify new opportunities for expanding affordable housing opportunities. Major components of its housing strategy plan include:

- Focused effort to encourage development of mixed use (multifamily housing in concert with commercial) within existing commercial zones, through amendment of the CC Community Commercial zoning district to add residential uses as an allowable use, at densities of 25-30 units per acre. A Mixed Use Overlay Zone and/or Mixed Use Design Guidelines promoting densities of 25-30 units per acre will also be considered, ensuring that the approach does not constrain existing flexibility of development standards in mixed use districts.
- Locating higher density residential developments along transit routes and arterial corridors.
- Continued support for resident acquisitions of mobile home parks.
- Continued support of City rent stabilization ordinance to protect mobile home park renters.
- Changing applicable zoning provisions for five key commercial properties, by amending the CC Community Commercial zoning district to allow residential uses, and/or by creating and applying a Mixed Use Overlay zone or Mixed Use Design Guidelines, to facilitate development of new very low, low, and moderate income units.
- Rezoning of two residential properties with an Affordable Housing Overlay District to increase allowable density to facilitate development of new low and moderate income units, permitting densities of 15-25 units per acre.
- Adoption of a second unit ordinance expected to result in 84 new units during this planning period, half targeted for low income households and half for moderate income households.
- Adoption of a density bonus ordinance consistent with state law.
- Preservation of the City's eight existing affordable housing projects in perpetuity.
- Continued support for the City Condominium Conversion ordinance.
- Continuation of the City's first time homebuyer programs.
- Continuation of the City's housing rehabilitation programs.

¹ Census 2000, SF 3 Population and Housing Unit Density for "Places"

Through this housing strategy, the City will meet its Regional Housing Needs Allocation for the 2000-2007 planning period. The City will also continue to offer direct support for the development of very low and low income housing. During the past planning period, the City provided financial assistance that resulted in the construction of 31 very low income housing units. Sources of revenue expected to be available to support the City's continued efforts include: the Low-Moderate Income Housing Fund (LMIHF); HOME; CDBG; Section 8 housing vouchers; and various other federal, state and bond financing sources.

I. INTRODUCTION

A. Community Overview

Capitola is a small (1.6 square mile) seaside community, located along Monterey Bay in Santa Cruz County. (Refer to Figure 1, Vicinity Map.) Soquel Creek generally bisects the community in a northwest-southeasterly direction, with residences and community and regional-serving commercial uses to the west of the creek, and a mixture of residences and small shops and businesses along the east side of the creek.

Capitola was originally founded in 1869 as California's first seaside resort. Incorporated as a city in 1949, the village area remains California's oldest coastal resort and includes one of the region's most active beaches. Most of the growth in Capitola occurred in the 1970s as the community annexed surrounding land and residential growth accelerated.

Today, Capitola, with a population of 10,033 persons residing in 5,309 dwelling units², is nearly built-out. Its housing stock contains a varied and balanced mix of housing types, including single family houses, multifamily structures and mobile homes. Older Victorian-era homes and small cottages characterize its older neighborhoods such as Depot Hill, the Village and parts of Jewel Box. Cliffwood Heights, Upper Village and 41st Avenue, located in the northern portions of the City, are newer, more typical suburban neighborhoods, with most of the housing stock between 20-40 years of age. (Refer to Figure 2, Capitola Neighborhood Map.) New housing, constructed during the past decade, is found on in-fill sites scattered throughout the community.

² Population and dwelling unit totals from the U.S. Census Bureau, Census 2000.

Figure 1. Vicinity Map

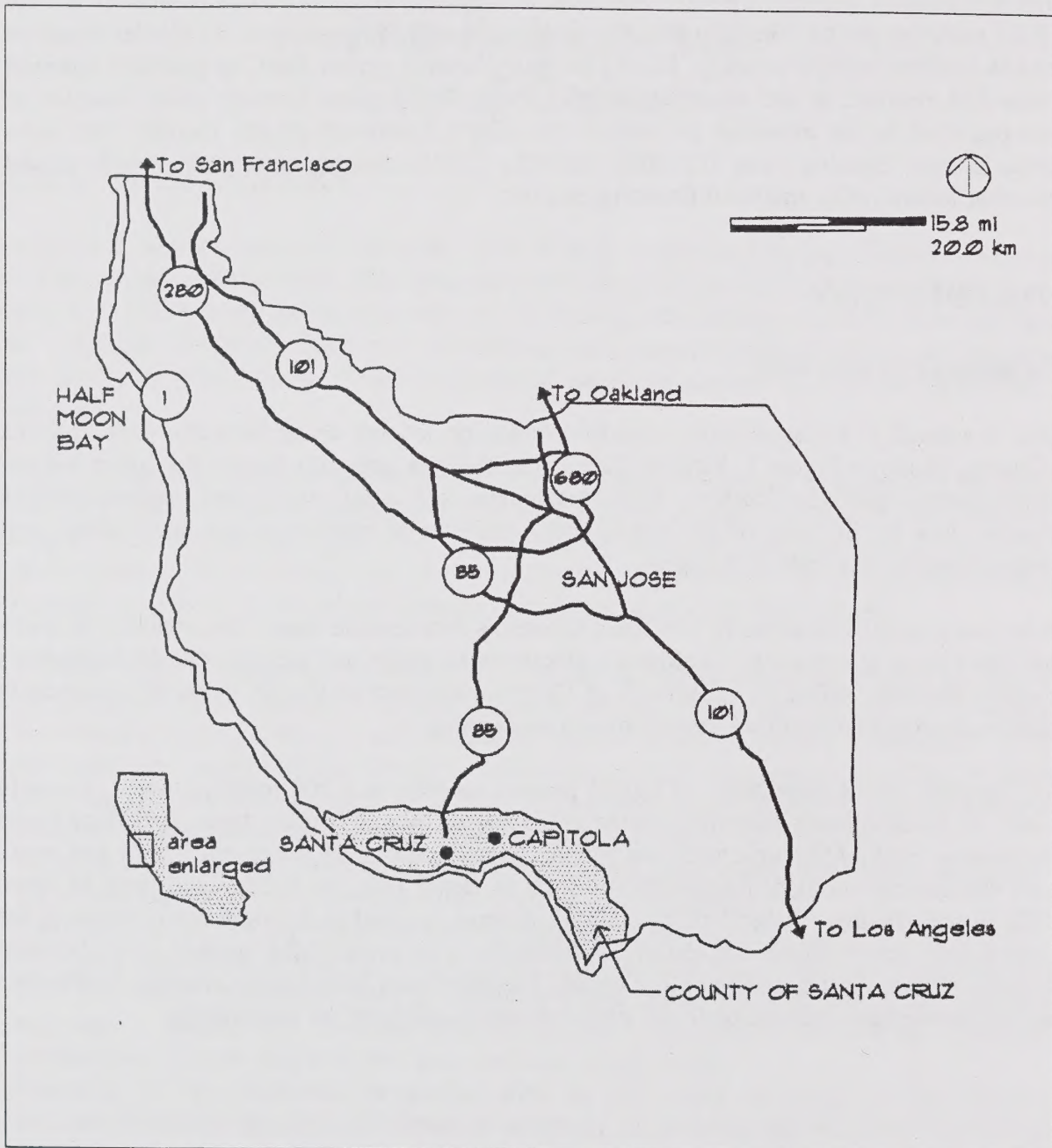
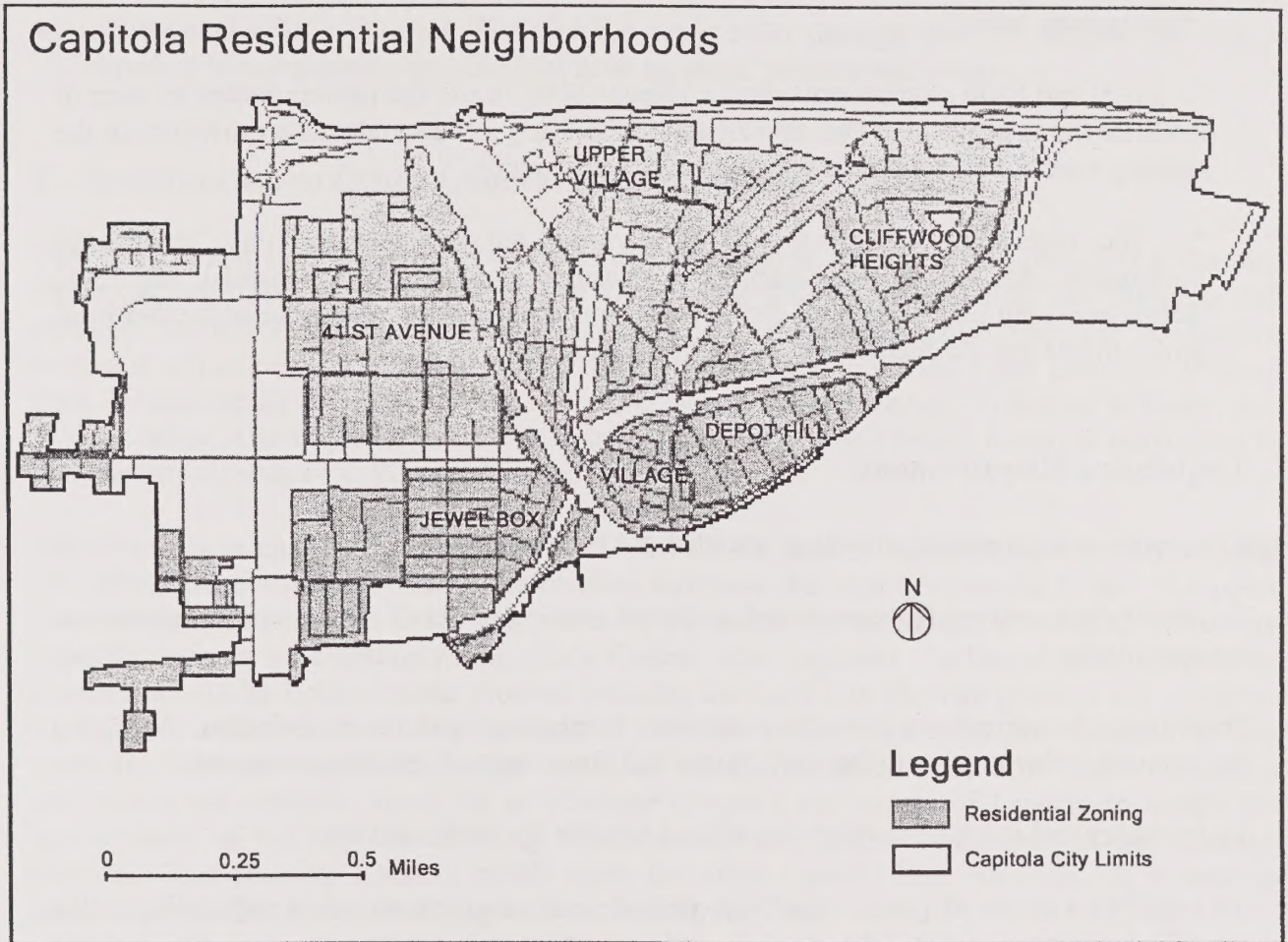


Figure 2. Capitola Neighborhoods



B. Purpose of the Element

The provision of adequate housing for families and individuals of all economic levels is an important public goal. It has been a main focus for state and local governments. The issue has grown in complexity due to rising land and construction costs, as well as increasing competition for physical and financial resources in both the public and the private sectors.

In response to this concern, the California Legislature amended the Government Code in 1980. The amendment instituted the requirement that each local community is to include a specific analysis of its housing needs and a realistic set of programs designed to meet those needs. This analysis is to be set forth in a Housing Element and incorporated in the General Plan of each municipality.

The requirements of the law are prefaced by several statements of State policy set forth in Section 65580 of the Government Code:

“... The availability of housing is of vital statewide importance, and the early attainment of decent housing and a suitable living environment for every California family is a priority of the highest order.”

“... Local and State governments have a responsibility to use the powers vested in them to facilitate the improvement and development of housing to make adequate provision for the housing needs of all economic segments of the community.”

“... The legislature recognizes that in carrying out this responsibility, each local government also has the responsibility to consider economic, environmental, and fiscal factors and community goals set forth in the general plan and to cooperate with other local governments and the State in addressing regional housing needs.”

C. Legislative Requirements

State law requires each municipality to accomplish the following tasks:

- To identify and analyze the current and projected housing needs of all economic segments of the community.
- To evaluate the current and potential constraints to meeting those needs, including identifying the constraints that are due to the marketplace and those imposed by the government.
- To inventory and assess the availability of land suitable for residential use.
- To establish a series of goals, objectives, policies and programs aimed at responding to the identified housing needs, the market and governmental constraints, and the housing opportunities.

This Housing Element addresses the planning period from 2000-2007. It has been prepared in accordance with applicable state law, and consistent with the City of Capitola General Plan and the community's vision of its housing needs and objectives.

D. Scope and Content

The Housing Element consists of five major components:

- An analysis of the City's demographic and housing characteristics and trends.
- A summary of the existing and projected housing needs of the City's households.
- A review of the potential market, governmental, and environmental constraints to meeting the City's identified housing needs.

- An evaluation of the resources available to achieve the City's housing goals.
- A statement of the Housing Plan for the years 2000 through 2007 to address the City's identified housing needs, including the housing goals, policies and programs.

E. Relationship to Other General Plan Elements

The Government Code requires internal consistency among the various elements of a General Plan. Section 65300.5 of the Government Code states that the General Plan and the parts and elements thereof shall comprise an integrated and an internally consistent and compatible statement of policies. The Capitola General Plan contains the following seven elements: 1) Land Use; 2) Housing; 3) Open Space, Parks and Recreation; 4) Conservation; 5) Safety; 6) Noise; and 7) Circulation. The Capitola General Plan is internally consistent. Policy direction introduced in one element is reflected in the other elements.

Relative to housing, the General Plan identifies both constraints and opportunities to providing new affordable housing. The Land Use Element addresses the scarcity of available land to support new development, and the Circulation Element addresses the limitations of the City's roadway capacity. In spite of constraints, Capitola's General Plan supports a balanced land use pattern. Consistent with its Local Coastal Program policies, the Land Use Element protects and promotes its seashore resources, providing recreational facilities to the community and visitors. It also promotes commercial, industrial, open space and mixed residential uses. The City's residential and mixed use densities allow for an adequate diversity and supply of housing to satisfy the requirements of the Regional Housing Needs Assessment (RHNA) presented in this Housing Element. This Housing Element builds upon the other General Plan elements. It is entirely consistent with the policies and proposals set forth by the Plan.

Pursuant to Government Code Section 65400, the City will annually review its progress in implementing this Housing Element and ensuring consistency between this and the City's other General Plan Elements.

F. Public Participation

Section 65583(c)(5) of the Government Code states that:

"The local government shall make a diligent effort to achieve public participation of all the economic segments of the community in the development of the housing element, and the program shall describe this effort."

Public participation played an important role in the formulation of the goals, policies and programs broadcasted by this Housing Element. The public participation program for this Element was established by the City Council with input from the City Planning Commission. The program consisted of four components:

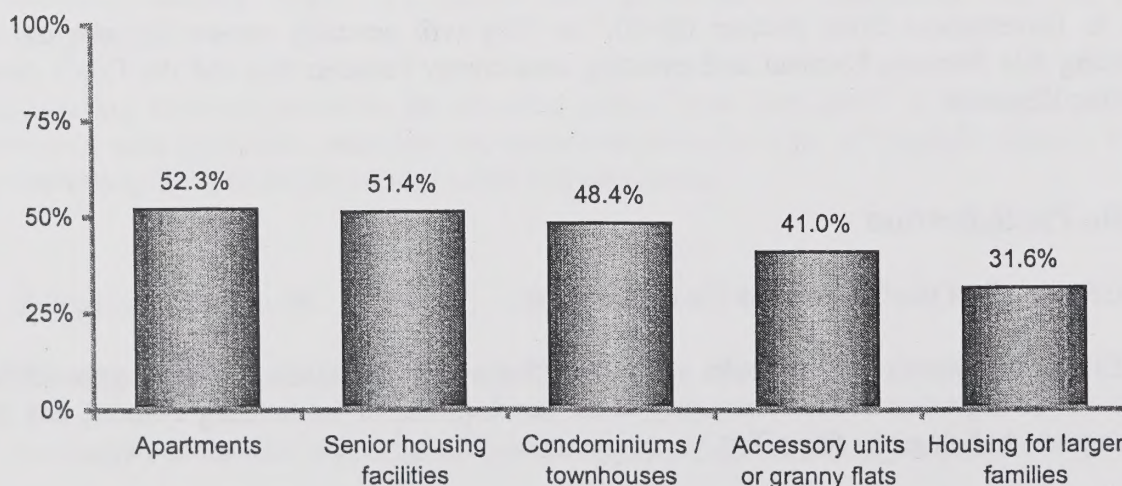
1. Housing conditions survey of all residential structures within the City boundaries.
2. Housing needs survey via telephone of 355 randomly sampled Capitola residents.
3. Housing Advisory Committee consisting of 15 members and open to all members of the community.
4. Public hearings open to all members of the community.

Housing Needs Assessment / Housing Conditions Study

The housing conditions survey and a housing needs survey were conducted by Applied Survey Research (ASR) under a Housing Needs Assessment/Housing Conditions Survey contract with the City of Capitola. The purpose of the surveys- completed May 2002- was to provide the City with valuable information to develop a long-term affordable housing plan and to support the development of the Housing Element Update. The surveys were funded by a Community Development Block Grant (CDBG) and in compliance with the U.S. Department of Housing and Urban Development (HUD) reporting requirements. (Copies of the Housing Needs Assessment/Housing Conditions Survey are available upon request at City Hall.)

Findings of the housing conditions survey indicate that 94% of homes in Capitola are in sound condition, although many homes need minor improvements or renovation. The most obvious area needing improvement was exterior siding and stucco. Findings of the telephone survey indicated that many residents are concerned about the high cost of homeownership (75.6% of survey respondents) and the high cost of rent (68.6% of survey respondents). Telephone survey respondents wanted to see more housing for seniors, more apartments and more affordable and low-income housing. These housing preferences are described in Figure 3, below:

**Figure 3. Top 5 Needed Housing Types
(According to ASR Telephone Survey Respondents)**



At the same time, some telephone survey respondents were also concerned that more housing would lead to more traffic impacts (66% of survey respondents) and that the community was becoming too dense (52.8% of survey respondents).

Housing Advisory Committee

The Housing Advisory Committee (HAC) was formed to gain focused input from representatives of all economic segments of the City. Specifically, HAC members were sought from the real estate and building industries, housing advocacy groups and the Planning Commission and City Council. City staff placed notices in the local newspaper to inform the community about the Housing Element process and to invite them to participate on the HAC. Twelve community members representing the above-mentioned interest groups were appointed to the HAC.

Three meetings with HAC members were held. At the first meeting, City staff and the Housing Element consultant presented members with information about the Housing Element process and City of Capitola demographics and current housing programs. During the next two meetings, input from HAC members was solicited regarding recommended housing policies and programs. This input provided a valuable basis for the Housing Element Update, and included the following recommendations:

Table 1
Recommendations of the Capitola Housing Advisory Committee

1. An inclusionary housing ordinance should be considered
2. Small cottage character of single family neighborhoods should be preserved
3. Priority should be on providing affordable housing for Capitola's existing residents and employees
4. Initiate a housing trust fund to raise new sources of monies for affordable housing
5. Develop high density housing near the City's transit corridor (i.e., the bus center on 41st Avenue in front of the regional mall)
6. Provide programs to allow residents to age in place (i.e., support conversion of existing units to accommodate disabled access)
7. Second unit ordinance should have no age restrictions
8. Reduce parking requirements for residential development.

Following completion of the HAC meetings, a preliminary draft Housing Element Update was prepared and presented at a public workshop held before the City Council and Planning Commission. The workshop was intended to gain community-wide input on Housing Element goals, policies and programs. Subsequent to the workshop the Draft Housing Element was discussed at a joint meeting of the HAC and the Planning Commission prior to forwarding to the City Council for review, comments, and authorization to submit to State HCD. After HCD comments were received the element was revised again, and the Final Housing Element was the subject of a Planning Commission public hearing and a City Council public hearing for adoption.

G. Sources of Information

A number of data sources were used to create the Capitola Housing Element. These resources include:

- City of Capitola General Plan.
- City of Capitola Community Development and Building Department building permit records.
- Housing Needs Assessment/Housing Conditions Survey, May 2002.
- Association of Monterey Bay Area Governments (AMBAG) Regional Housing Needs Assessment (RHNA), July 2002.
- Department of Finance Population and Housing data, January 2002.
- 2000 and 1990 U.S. Census Reports.

Various other informational sources were also referenced where appropriate. References to these informational sources are cited where they appear within the text.

II. HOUSING NEEDS ASSESSMENT

A successful strategy for improving housing conditions must be preceded by an assessment of the housing needs of the community and region. This section of the Housing Element reviews the major components of housing need including trends in Capitola's population, households, and the type of housing available. These changes reflect both local and regional conditions. Consequently, the regional context is also presented.

The analysis that follows is broken down into four major subsections:

- Section A, Population Characteristics, analyzes the City of Capitola in terms of individual persons and attempts to identify any population trends that may affect future housing needs.
- Section B, Household Characteristics, analyzes Capitola in terms of households, or living groups, to see how past and expected household changes will affect housing needs.
- Section C, Housing Stock, analyzes the housing units in Capitola in terms of availability, affordability, and condition.
- Section D, Assisted Housing At Risk of Conversion, analyzes housing units that have expiring use restrictions, such as project-based Section 8 contracts and early tax-credit financing contracts. Such projects are at risk of losing those rent restrictions within the next few years, which can result in significant rent increases for their tenants.

This assessment of Capitola's housing needs is used as the basis for identifying appropriate policies and programs in this Element.

Information referenced in this section is from 2000 and 1990 US Census reports.

A. Population Characteristics

Capitola's population characteristics are important factors affecting the type and extent of housing needs in the City. Population growth, age, race/ethnicity and employment characteristics are discussed in this section.

1. Population Change

Capitola, unlike most of the region, had a slightly smaller population in 2000 than in 1990. During this decade, the State of California grew by nearly 14% according to the U.S. Census Bureau. Santa Cruz County grew by a slightly lower rate of 11% during this decade. The fastest growing cities within the county, in terms of percentage growth, were Watsonville and Scotts Valley, at 42% and 32% respectively, both of which were relatively small cities in 1990. The City of Santa Cruz followed at 11% growth, while Capitola actually had approximately 1.4% fewer residents in 2000 than in 1990.

Table 2
Total Population of Santa Cruz County Jurisdictions and State in 1990 & 2000

	1990	2000	% Change 1990-2002
CAPITOLA	10,171	10,033	- 1.4%
SANTA CRUZ CITY	49,040	54,593	11.3%
SCOTTS VALLEY	8,615	11,385	32.2%
WATSONVILLE	31,099	44,265	42.3%
SANTA CRUZ COUNTY	229,734	255,602	11.3%
STATE OF CALIFORNIA	29,760,021	33,871,648	13.8%
Source: 1990 Census STF 1, Census 2000, U.S. Census Bureau			

Figures 4, below, shows the population change between 1990 and 2000 in graphic form, using the Census data shown in Table 2.

Figure 4
Percent Population Change (Growth or Loss) 1990 - 2000

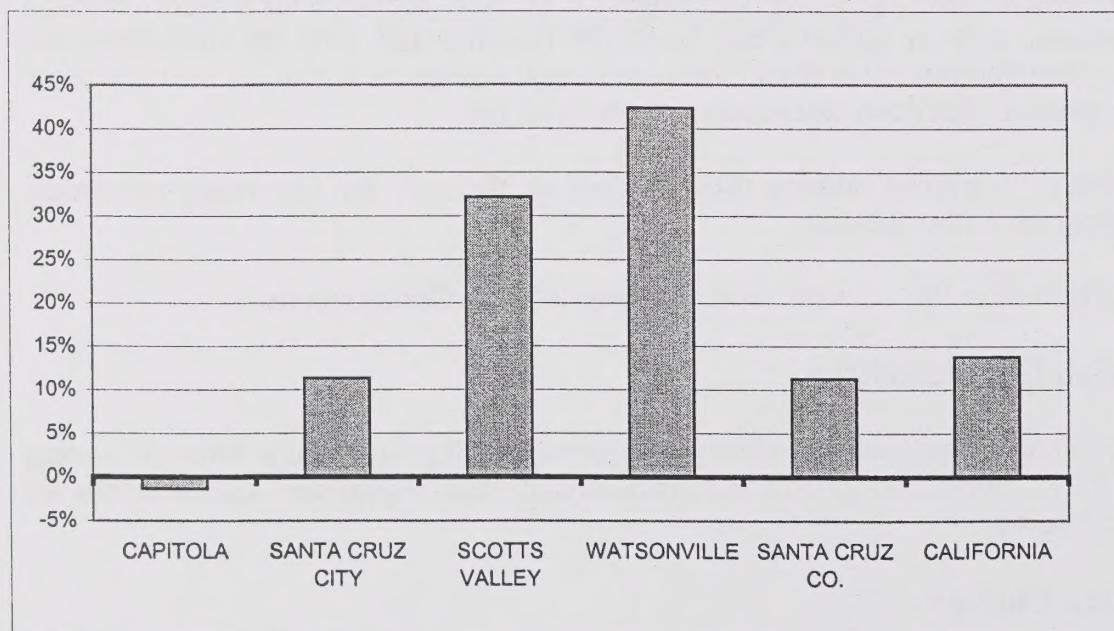
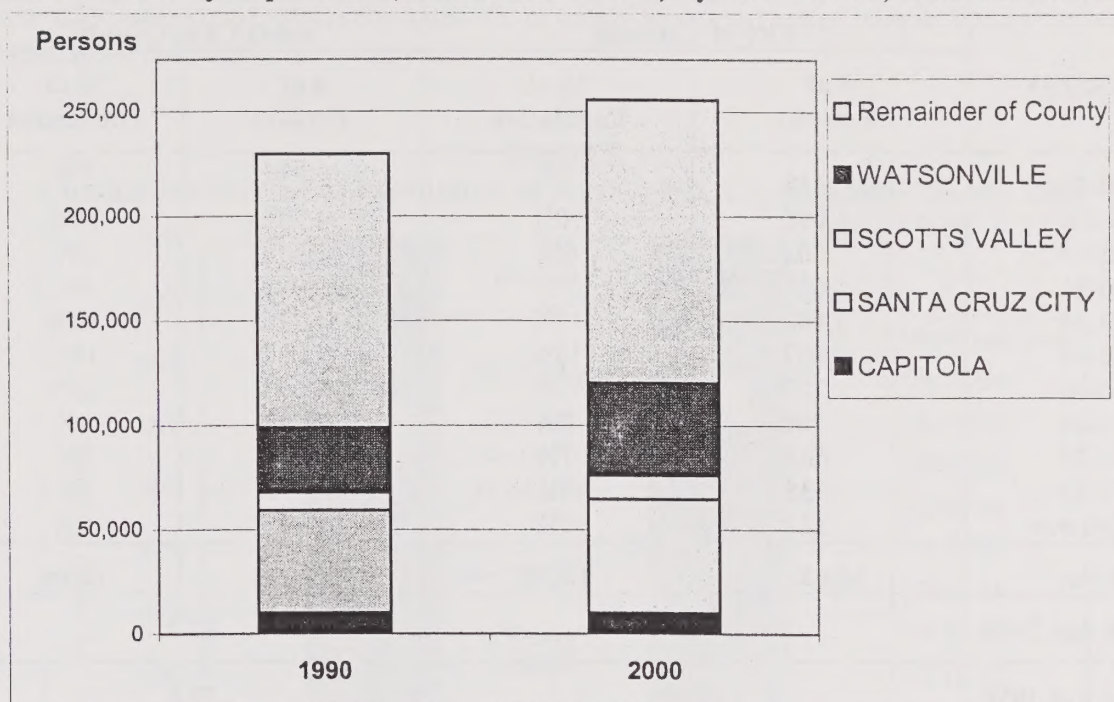


Figure 5 on the following page shows the relative number of residents in each county jurisdiction. Fewer than 4% of all County residents lived in Capitola in 2000, whereas in 1990 nearly 4.5% did.

Figure 5
Total County Population (Number of Persons) by Jurisdiction, 1990 and 2000



The population of the “Remainder of County,” or unincorporated area, was derived by subtracting the sum of the cities’ populations from the Census total for Santa Cruz County.

2. Age Characteristics

The age structure of a population is an important factor in evaluating housing needs and planning future housing development. For example, if a city is experiencing an outmigration of young adults (ages 25-34), there may be a shortage of first-time homebuyer opportunities and/or well-paying employment opportunities. If a city has a substantial elderly population, special housing types or services may be needed, such as assisted living facilities, housing rehabilitation programs, paratransit, meals on wheels, and home health care services, in order to enable seniors to remain in the community. Table 3 shows the number of Capitola and Santa Cruz County residents in each age group according to data from the Census 2000.

Capitola is a maturing community. Between 1990 and 2000, the median age of Capitolans increased from 35.2 to 38.4 years. In comparison, the County and State of California also experienced increases in median age, but more moderately than Capitola. In 1990, the median age county-wide was 33 years, and statewide it was 31. By 2000, the median age of the county’s population increased to 35 years and statewide it was 33.3 years. Median age for the City, as well as the County and State, is expected to increase as the Baby Boom generation ages³.

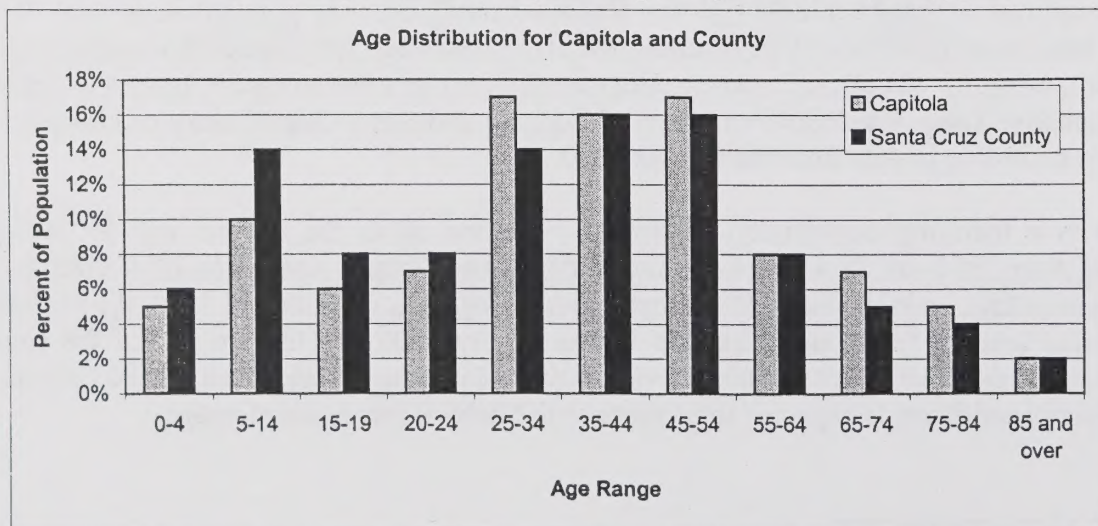
³ The Baby Boom is defined as the generation of people born between 1946 and 1964, during the post World War II period, when there was a marked increase in the national birth rate.

Table 3
Population by Age Group: City of Capitola and Santa Cruz County, Census 2000

Age Range	City of Capitola		Santa Cruz County	
	# of Persons	% of Population	# of Persons	% of Population
0-4	488	5%	15,544	6%
5-14	1,008	10%	34,707	14%
15-19	602	6%	19,939	8%
20-24	684	7%	20,948	8%
25-34	1,682	17%	36,728	14%
35-44	1,607	16%	42,087	16%
45-54	1,753	17%	40,673	16%
55-64	789	8%	19,489	8%
65-74	663	7%	12,347	5%
75-84	535	5%	9,295	4%
85 and over	222	2%	3,845	2%
Total	10,033	100%	255,602	100%
Median Age 2000	38.4		35.0	
Median Age 1990	35.2		33.0	

Figure 6 compares Capitola's age distribution to that of the County. As seen in the Figure, Capitola has a smaller proportion of children than the County: 15% of Capitolans were aged 14 or younger, while 20% of County residents were children in this age group. Forty percent of Capitolans are aged 45 or older, while that group comprises just over 30% of the County population.

Figure 6
Percent of Total Population by Age Group, Capitola and County, 2000



These age distributions reflect the local housing stock of Capitola, which has a high percentage of apartments, small homes, and senior housing developments (including senior mobilehome parks), and a smaller percentage of family-sized (3 or more bedroom) units, single family homes, and owner-occupied units than the county as a whole.

Figure 7
Cumulative Percent of Population by Age Group, Capitola and County, 2000

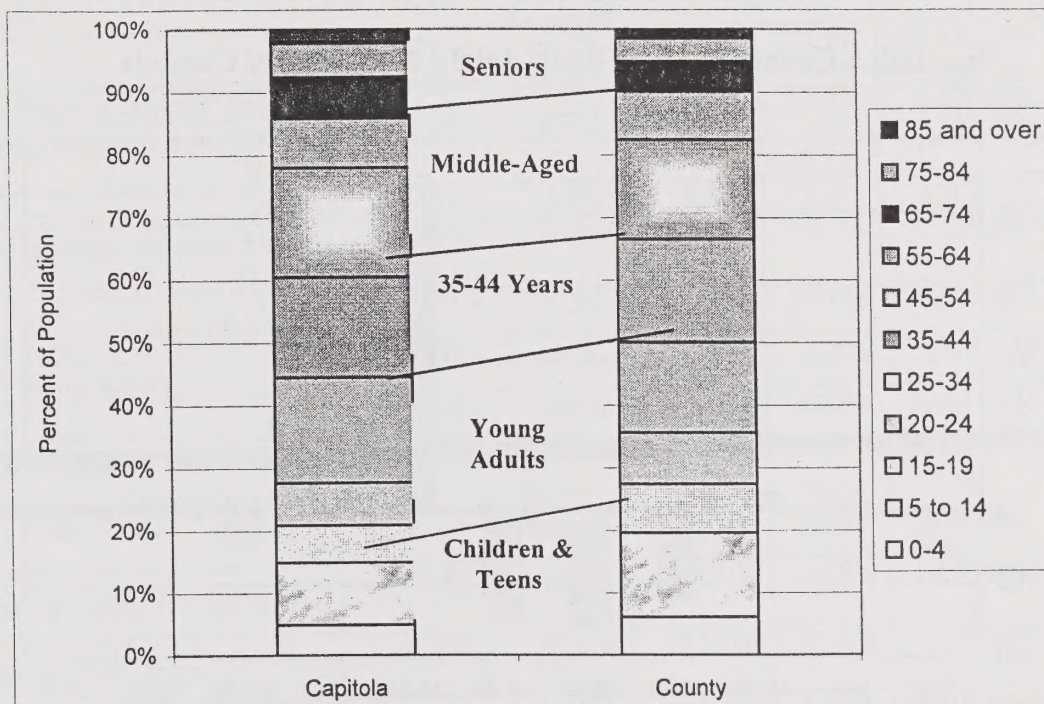
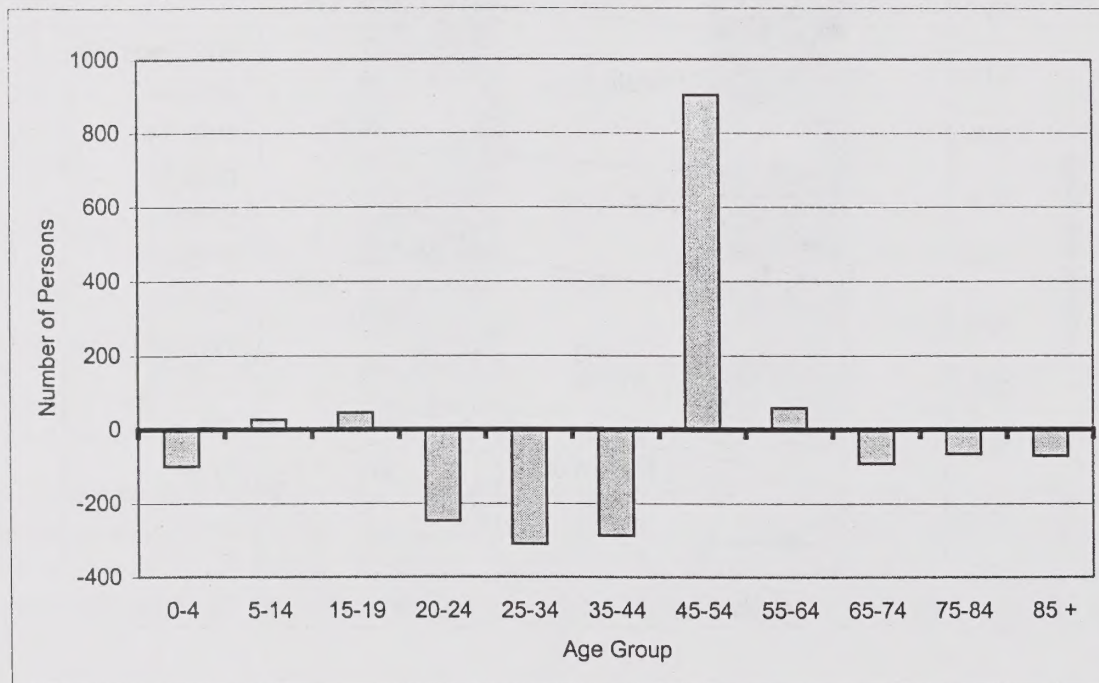


Figure 8 shows how the number of people in each age group changed between 1990 and 2000. The size of each age group can change for two basic reasons: natural aging, birth, and death; or migration (into or out of the City). For example, there were 100 fewer children in the 0-4 year range in 2000 than in 1990. The largest decrease in any single age group was in the group of young adults aged 25-34 years, which decreased by 310 persons over the 10-year period. In total there were 844 fewer young adults in the combined age ranges of 20 to 44 years in 2000 than there were in 1990. At the same time there was an increase of 962 persons in the 45-64 age groups.

Figure 8
Population Change by Age Group, 1990 – 2000, City of Capitola



1990 Census STF 1 and Census 2000

3. Race and Ethnicity

The population of the City of Capitola in 2000 was not as racially or ethnically diverse as the County, which in turn is less diverse than the State. For instance, 84% of Capitola's population was white, compared to 75% of the County and 60% of the State population. One of every eight Capitola residents were Hispanic or Latino, while statewide nearly one of every three residents were Hispanic or Latino. Capitola's population had a slightly greater proportion of Asians and African Americans than that of the County, but less than half that of the State. Table 4 below shows the racial and ethnic composition of the population, compared to that of the County and the State.

Table 4
Population by Race and Hispanic or Latino Origin, 2000

Race	City of Capitola		Santa Cruz County		State of California	
	No. Persons	% of Total	No. Persons	% of Total	No. Persons	% of Total
One Race	9,562	95.3%	244,431	95.6%	32,264,002	95.3%
White	8,412	83.8%	191,931	75.1%	20,170,059	59.5%
Black or African America	117	1.2%	2,477	1.0%	2,263,882	6.7%
American Indian or Alaskan Native	57	0.6%	2,461	1.0%	333,346	1.0%
Asian	401	4.0%	8,789	3.4%	3,697,513	10.9%
Native Hawaiian or other Pacific Islander	20	0.2%	382	0.1%	116,961	0.3%
Some Other Race	555	5.5%	38,391	15.0%	5,682,241	16.8%
Two or More Races	471	4.7%	11,171	4.4%	1,607,646	4.7%
Total	10,033	100%	255,602	100%	33,871,648	100%
Hispanic or Latino Origin	No. Persons	% of Total	No. Persons	% of Total	No. Persons	% of Total
Hispanic or Latino (of any race)	1,267	12.6%	68,486	26.8%	10,966,556	32.4%
Not Hispanic or Latino	8,766	87.4%	187,116	73.2%	22,905,092	67.6%
Total	10,033	100%	255,602	100%	33,871,648	100%

Census 2000

This comparatively low degree of racial and ethnic diversity may have resulted from the high cost of housing in the region as compared to the state, combined with a local employment base comprised of relatively low-wage jobs in the service, retail, tourism, and agricultural sectors. This combination of low-paying jobs and high cost housing makes it difficult for lower- and moderate-income households, who may commute in to work in this area, to find housing they can afford within Capitola. This can have a disproportionate effect on those racial/ethnic groups that have lower median incomes compared to the overall population, just as it affects other types of lower-income households, such as younger workers, single parents, and recent immigrants. According to the 2000 Census, median household income in 1999 for households headed by Hispanics or Latinos, African Americans, and Native Americans was just 74 to 77% of the state median income for all households, which was \$47,493. For households headed by non-Hispanic Whites and by Asians, median household income was 113% and 117%, respectively, of the statewide figure.⁴ These income disparities tend to result in a lack of racial/ethnic diversity in many areas with high cost housing. For this reason, sufficient affordable housing of all types is needed to ensure fair

⁴ Census 2000, Summary File 3, Median Household Income in 1999 by race of Householder and by Hispanic/Latino origin.

access to housing in this region for all racial and ethnic groups and to prevent further housing segregation, consistent with fair housing goals and laws.

4. Employment

Capitola has approximately 900 businesses operating within its boundaries. Most of these businesses are retail and service establishments. Most of the commercial and industrial land in the City is already developed. There are some vacant and underutilized commercial parcels with potential to accommodate residential units, in a mixed use or higher density residential development pattern. The key housing opportunity sites on commercial lands are identified in Table 14, below. There were approximately 10,500 jobs, including part-time jobs, based in Capitola according to 2000 Census figures, however most of the workers employed in these jobs did not reside within the City, as only 5,699 of the City's residents were employed in 1999, according to Census sample data, and only 1,130 of these residents worked within the City (20% of all employed Capitola residents). The majority of the City's employed residents worked elsewhere in Santa Cruz county (51%), while 28% of Capitola's employed residents worked outside the county, primarily in Santa Clara and Monterey counties.

On average, Capitola residents traveled approximately 28 minutes each way to get to work.⁵ In 1999, 41.7% of the City's labor force was employed in managerial and professional positions, 23.3% were in sales and office occupations, 17.6% in service occupations, and the balance were in construction, production, transportation, and fishing industries.

B. Household Characteristics

Information on household characteristics is an important indicator of housing needs in a community. Income and affordability is best measured at the household level, as are the special housing needs of certain groups such as large families and female-headed households. As an example, if a community has a substantial number of young family households whose incomes combined with local housing costs preclude the option of home purchase, the city may wish to initiate a home-buyer assistance program or participate in or publicize the programs that are available elsewhere.

The Bureau of the Census defines a "household" as "all persons who occupy a housing unit, which may include families, singles, or other." Boarders are included as part of the primary household by the Census. Families are households related through marriage or blood, and a single household refers to individuals living alone. "Other" households reflect unrelated individuals living together (e.g., roommates). Persons living in retirement or convalescent homes, dormitories, or other group living situations are not considered households.

⁵ Census 2000 SF 3, Sample Data on Place of Work

1. Household Type

As shown in Table 5, there were a total of 4,692 households in Capitola according to the 2000 US Census Report. Fewer than half of these households (48.6%) are family households, compared to 62.7% family households for the County. Singles comprise over one third (37.0%) of Capitola households, compared to only a quarter (25.1%) for the County. The high proportion of single person households compared to family households is also reflected in Capitola's average household size, which is 2.11 persons per household, compared to 2.71 for the County.

These household statistics coincide with the age distribution data presented in Table 3, above: Capitola has a relatively low percentage of children, and high percentage of single adults and elderly, both of whom are more likely to be in a single person households. The City's existing pattern of small and/or attached housing units is expected to continue through the current planning period. Many families prefer single family homes, with several bedrooms and a yard. There is very little vacant land available for single family development in the City. New housing developments to be built in Capitola are expected to be mostly medium- and higher-density dwellings (either attached or detached), which can also accommodate families comfortably if they are designed with families in mind.

Table 5
Household Type, City of Capitola and Santa Cruz County

Household Type	City of Capitola		Santa Cruz County	
	No. of Households	% of Total	No. of Households	% of Total
Families	2,279	48.6%	57,132	62.7%
Singles	1,738	37.0%	22,905	25.1%
Other Non-family	675	14.4%	11,102	12.2%
Total	4,692	100%	91,1396	100%
Average Household Size (all households)	2.11		2.71	
Average Family Household Size	2.79		3.35	

Census 2000

2. Overcrowding

Overcrowding is another indicator of housing affordability. Unit overcrowding is caused by the combined effect of low earnings and high housing costs in a community, and reflects the inability of households to buy or rent housing that provides sufficient living space for their needs. The Census defines overcrowded households as units with greater than 1.01 persons per room, excluding bathrooms, hallways and porches.

According to the 2000 Census, the incidence of overcrowding in Capitola was minimal, with approximately 6.0% or 286 of the City's households defined as overcrowded, compared with 10.9% county-wide. Census estimates indicate that 218 renter households were overcrowded, which means that 76% of all overcrowded households were renters, and 8% of all renter households were overcrowded.

As with Capitola's trend toward smaller, non-family households, the relatively low incidence of overcrowding is expected to continue through the current planning period, particularly as most young families and newly forming households seek more affordable housing elsewhere, as evidenced by the current decline in school enrollments in the local school districts. Emphasis on development of smaller, more dense attached housing products will assist with meeting demand by renter households and prevent overcrowding from becoming more prevalent.

3. Household Income

An important factor in housing affordability is household income. While upper income households have more discretionary income to spend on housing, low and moderate-income households are more limited in the range of housing they can afford.

State-Defined Income Categories

According to the Federal Department of Housing and Urban Development (HUD) and the California Department of Housing and Community Development (HCD), the area median income for a four-person household in Santa Cruz County was \$74,600 in 2003.⁶ California law and some federal housing programs define several income categories based on a percentage of the area median income (AMI) determined by HUD and HCD, as follows:

- Very Low Income – less than 50% of the area median income
- Lower Income - between 51 and 80% of the area median income
- Moderate Income – between 81 and 120% of the area median income

⁶ Correspondence from Cathy E. Creswell, Acting Deputy Director, Division of Housing Policy Development, State of California Department of Community Development, January 2003.

These income ranges are used to determine eligibility for various subsidized housing programs. The 2003 income limits for these categories by household size are presented in Table 6:

Table 6
Santa Cruz County 2003 Area Median Incomes and Income Limits
Adjusted by Household Size

Income Category	Maximum Income by Household Size			
	1 Person Household	2 Person Household	3 Person Household	4 Person Household
Very Low Income (up to 50% of the Median)	\$26,500	\$30,300	\$34,050	\$37,850
Lower Income (51-80% of the Median)	\$42,400	\$48,450	\$54,500	\$60,550
Median Income (100% of the Median)	\$52,200	\$59,700	\$67,150	\$74,600
Moderate Income (81%-120% of the Median)	\$62,650	\$71,600	\$80,550	\$89,500

CA Dept. of Housing and Community Development, January 2003

Census 2000 Estimates of Household Income

According to Census 2000 estimates based on sample data, median household income in Capitola was \$46,048, compared to \$53,998 for the County.⁷ These figures represent gross annual income. Capitola's lower median household income reflects, at least in part, its smaller household size and larger percentage of young adults, elderly, and renters, compared to the County. Table 7, below, shows the number and percent of Capitola's households by income range. The last column of the Table estimates how these ranges match up to the state-defined income categories in Table 6, above. These estimates do not take into account household size or the number of households at the high and low ends of each income range. However, they do present a general picture of the number of very low to moderate income households in Capitola.

Table 7
1999 Capitola Household Income

Income	No. of Households	Percent of Households	Cumulative Percent	Income Level
Less than \$ 10,000	309	7%	7%	Very Low
\$ 10,000 - \$14,999	342	7%	14%	
\$ 15,000 - \$24,999	425	9%	23%	
\$ 25,000 - \$34,999	661	14%	37%	
\$ 35,000 - \$49,999	857	18%	55%	
\$ 50,000 - \$74,999	896	19%	74%	Median/ Moderate
\$ 75,000 - \$99,999	529	11%	85%	Moderate/ Upper
\$100,000 - \$149,999	498	11%	95%	
\$150,000 - \$199,999	115	2%	98%	
\$200,000 or more	116	2%	100%	
Median Household Income, all Capitola households				\$46,048
Median Household Income, Capitola renter households				\$41,317
Median Household Income, Capitola homeowner households				\$51,408
Median Household Income, all Santa Cruz county households				\$53,998

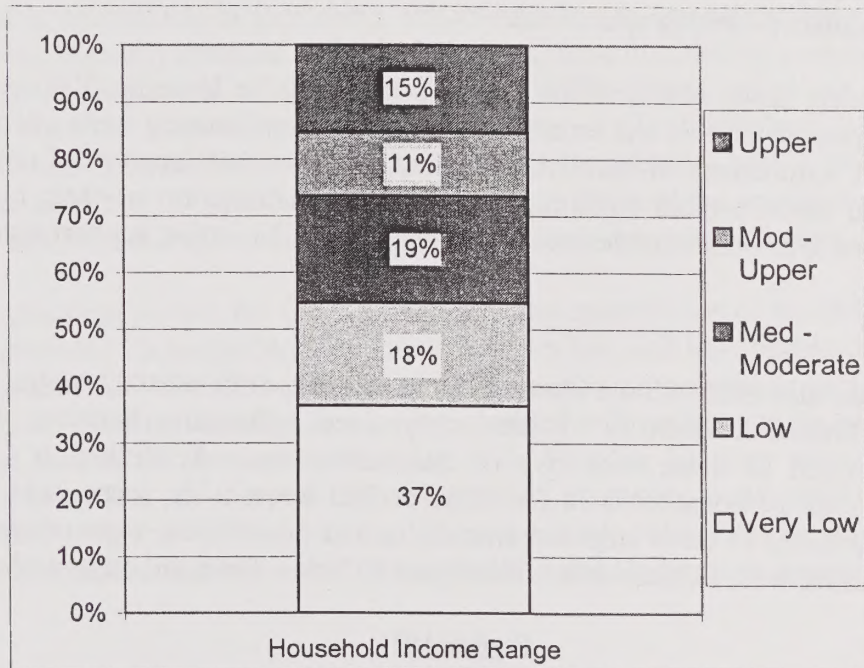
Census 2000 SF3

Additional detail on household income of renters and homeowners is provided in Appendix Two. As shown above, renters in Capitola generally had lower incomes than homeowners, with a median household income that was 20% lower than the median household income for homeowners. Census estimates also indicate that 803 of 1004 renter households earned less than \$35,000 per year and paid more than 30% of their income on housing, and 127 owner households earning less than \$35,000 per year paid 30% or more of their income on housing.

⁷ Difference in 2003 area median income and 2000 Census median income due to the approximately 3 year time difference between the counts and the fact that the Census count is an average of all households regardless of size.

Based on the estimates in Table 7, approximately 37% of households in Capitola fall in the very low income range; 18% fall into the lower income range; 19% fall into the median to moderate income range; and 11% fall into the moderate to upper income, and 25% fall into the upper income (over 120% of the median) range. These estimates are depicted graphically in Figure 9 below.

Figure 9
Estimated Percent of Capitola Households in each Income Group



Based on data from Table 9

4. Special Needs Groups

Certain segments of the population may have more difficulty finding decent, affordable housing due to special circumstances. These "special needs" groups include the elderly, large families, disabled persons, female-headed households, farmworkers, and the homeless. Under State law, the housing needs of each group are required to be addressed in the Housing Element. This information is summarized in Table 8. The identified special needs groups are defined below:

Elderly

The special needs of many elderly households result from their fixed incomes, higher rate of physical disabilities and common need for assistance from others. In 1999, 14% of Capitola's residents were aged 65 or older. Nearly 8% of these elderly Capitolsans lived in poverty, which the Census defines for elderly as having an annual income of \$8,494 or less in 2001. Elderly households, those headed by a person 65 year or older, comprised 23% of all Capitola households in 2000. By comparison, only 11% of the County population is elderly, 6.3% of which live in poverty, and 20% of households are elderly households.

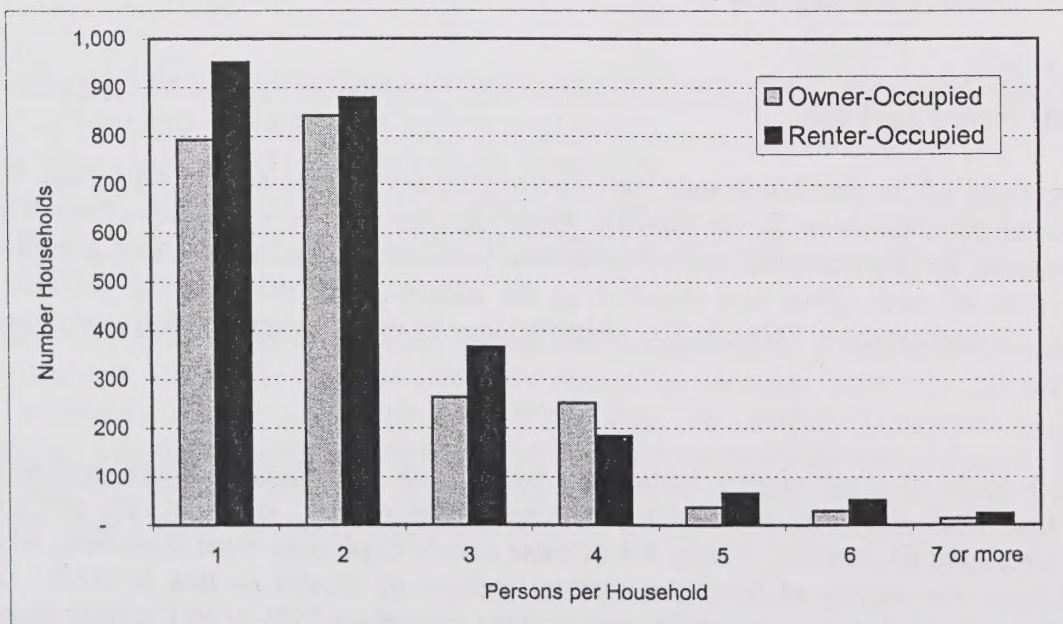
As discussed above, the median age for the City, as well as the County and the State, is expected to continue to increase. In terms of housing, senior households typically require smaller, more affordable housing options and/or assistance with accessibility and home maintenance. The City currently has a number of existing affordable housing projects that rent exclusively or primarily to senior citizens. These include the Capitola Gardens, Silvercrest Apartments, Loma Vista Mobile Home Park, and the Shorelife Church Neighborhood Manor, discussed in Section II.D, below. In addition, many City seniors reside in mobile home parks within the City, which are subject to a rent stabilization ordinance limiting space rents.

To address the housing needs of Capitola's elderly population, the Housing Element establishes policies and programs to: protect the existing affordable senior housing units such as through support for resident acquisitions of mobilehome parks; promote development of new affordable senior housing; and assist seniors with maintenance and rehabilitation of their housing units, retrofit senior homes to provide disabled accessibility, and obtain housing support services.

Large Households

Large households are identified in State housing law as a "group with special housing needs based on the generally limited availability of adequately sized, affordable housing units." Large households are defined as those with five or more members. According to Census 2000 estimates, only 5% of all households in the City, or 220 households, were large households. Approximately two-thirds of these large households, or 141 households, were renters, while one third, or 79 households, were homeowners. See Figure 10 below for detail on household size.

Figure 10
Household Size By Tenure, Capitola



Census 2000 SF3

Given the small number of large households in the city, and the relatively low rate of overcrowding, the need for larger housing units does not appear to be one of the most pressing special housing needs in the City at this time.

Disabled Persons

Physical and mental disabilities can hinder access to housing units of conventional design as well as limit the ability of the disabled individuals to earn an adequate income. The proportion of physically disabled individuals is increasing nationwide due to overall increased longevity and lower fatality rates. Mentally disabled individuals include those disabled by a psychiatric illness or injury, including schizophrenia, Alzheimer's disease, AIDS-related infections and conditions related to brain trauma. According to the 2000 Census, 1,619 Capitols (16% of the City population) were identified as disabled. Of these disabled residents, 73 (or 4.5% of the disabled population) were aged 5 to 20 years old, 995 (or 61.5% of the disabled population) were aged 21 to 64 years old, and 551 (or 34.0% of the disabled population) were aged 65 years or older.

During the past planning period, the City assisted with the construction of the Dakota Apartments Project, which provided 25 accessible rental units for very low and low income disabled persons. One of the city-assisted Habitat for Humanity units is also an accessible unit for a very-low income household. Housing opportunities for the disabled will continue to be addressed through the provision of affordable, barrier-free housing. This Housing Element sets forth policies to implement State standards for the provision of disabled accessible units in new developments. Other policies and programs of the Housing Element provide rehabilitation assistance to allow disabled renters and homeowners to modify their dwelling units to improve accessibility.

Table 8
Estimated Population of Special Needs Households in Capitola and Santa Cruz County

Special Needs Group	City of Capitola				Santa Cruz County			
	Number		Percent		Number		Percent	
	House-holds	Persons	House-holds	Persons	House-holds	Persons	House-holds	Persons
Elderly (65 years and older)	1,067	1,420	23%	14%	18,173	25,487	20%	11%
Disabled Persons	-	1,619	-	16%	-	37,895	-	15%
Female-Headed Households with Children under 18	23	-	0.5%	-	1,482	-	2%	-
Farmworkers (Persons)	-	50	-	0.5%	-	5,721	-	4%
Large Households	220	-	4.6%	-	11,480	-	13%	-

Census 2000 SF3

Female-Headed Households

Single-parent households require special consideration and assistance because of their greater needs for day care, health care, and other facilities. Female-headed households with children in particular tend to have lower incomes, thus limiting housing availability for this group. According to the 2000 US Census Report, Capitola has 23 female-headed households with children 18 years or younger and living in poverty. These special needs households comprise 0.5% of the City's total households. Countywide, female-headed households comprise 2% of the population, most of which (86% of female headed-households or 1.6% of all County households) have children 18 years or younger and live in poverty.

An issue affecting all family households, especially those headed by females, is finding quality, affordable childcare. Many households find this a severe constraint, and in the case of a single parent household, the parent often becomes unable to work. As a result, the parent cannot provide basic necessities, such as food and housing to their children.

Although female-headed households in Capitola represent a much smaller special needs group than elderly and disabled persons, the Housing Element provides for the needs of this group through policies that promote maintenance and construction of affordable housing, specifically in areas close to commercial districts and transportation corridors.

Farmworkers

The special housing needs of many agricultural workers stem from their low wages and the insecure nature of their employment. Estimates of the "farmworker" population in the City are extrapolated from individuals who categorize their employment as "Agriculture, Forestry, Fishing and Hunting, and Mining " in the 2000 Census. This category also includes people who work in such non-agricultural fields as boating, veterinary services, and landscape and horticultural. Based on these estimates, there are 50 persons, approximately 0.5% of the City population, engaged in this broad category of agricultural employment.

There are no designated agricultural uses in or adjacent to Capitola. Persons employed in this broad category are most likely associated with fishing or boating activities in the Capitola harbor, or forestry activities in the nearby state parks, or landscape and horticultural jobs. Consequently, farmworkers are not expected to be a significant special needs group in Capitola.

Homeless People

During the past decade, homelessness has become an increasingly reported problem throughout the state. Factors contributing to the rise in homelessness included the general lack of housing affordable to low and very low income persons, an increased number of persons whose incomes fall below the poverty level, reductions in public subsidies to the poor, and the de-institutionalization of the mentally ill.

Over the last few years, Santa Cruz County has had an unprecedented increase in the cost of housing. As recently reported by the Shelter Project of the Community Action Board of Santa

Cruz County, the Santa Cruz County housing market has become one of the least affordable in the nation⁸. For many Santa Cruz County families, the hope of owning or even renting their own home has slipped away. The amount of income that a household needs to earn in order to maintain affordability for a two-bedroom unit in Santa Cruz County was \$20.98 per hour in 2000. When low income people lose their housing through eviction, unaffordable rent increase or any other reason, they are unable to find replacement housing and are being forced to move out of this region and into less expensive communities, or to become homeless.

The Shelter Project of the Community Action Board of Santa Cruz County reports a number of disturbing statistics regarding homelessness in the County: 1.8% of people who were housed in Santa Cruz County were homeless in the previous year. Of County households earning less than \$15,000 a year, 9.3% were homeless in the previous year. One third of the currently 3,300 homeless people in Santa Cruz County are working and one tenth are working full time; and as many as 8,558 people in the county are homeless at some point over the period of a year. The Shelter Project report also noted that most of the homeless people are long term Santa Cruz County residents; and that the homeless people overwhelmingly want to live in a home; they do not choose to be homeless.

Recent data from the 2003-2008 Santa Cruz County Five-Year Strategic Plan on Homelessness describe the shelter status of homeless persons in the Capitola area. According to this data, there are 134 homeless persons in the Capitola area; 21 of these persons reside in a vehicle; 21 persons are unsheltered; 28 are in transitional housing and 64 have other unspecified accommodations.

According to the 1990 Census, there were 8 persons in emergency shelter for homeless in Capitola, and another 5 persons "visible in street locations". Although the 1990 census does not identify the emergency shelter in Capitola referenced above, it is believed that this shelter is the homeless services offered through local churches participating in the Interfaith Satellite Shelter program (ISSP). ISSP is a cooperative effort among Santa Cruz County churches to offer a meal and a safe place to sleep for the homeless one evening a week. There are no other homeless shelters located in Capitola.

Should a homeless shelter be proposed to be located in Capitola, there are no zoning requirements that would prohibit them. Homeless shelters are permitted in all residential districts in the City. A conditional use permit is required if the shelter were to provide housing for more than 6 people. Capitola requires conditional use permits for many uses in many of its zoning districts. For example, nearly all uses in the CC Community Commercial zoning districts require use permits. Although Capitola has not received or processed an application for a homeless shelter use permit, based on typical use permit requirements, such a use would likely be reviewed and conditioned with regard to timing of any large group activities, adequacy of parking supply, noise, exterior lighting, and other site considerations. Churches in the single family zoning districts are exempt from the use permit requirement.

⁸ *Housing and Homelessness in Santa Cruz County*, June 2000, a report by The Shelter Project of the Community Action Board of Santa Cruz County, Inc.

There are numerous shelters in the county offering assistance to Capitola residents who may need it. These include:⁹

1. **Above the Line** reaches out to homeless teens with free temporary room and board including counseling; it is funded by private and government grants.
2. **Community House** is a transitional resident shelter for 40 with a broad array of services, operated by the Citizen's Committee for the Homeless.
3. **Community Support Services**, a component of the Santa Cruz Community Counseling Center, operates transitional housing and permanent housing facilities for mentally ill adults, and provides specialized services for adults with dual diagnosis (mental illness & substance abuse), in conjunction with the County Health Services Agency.
4. **Families in Transition of Santa Cruz County** provides specialized services for homeless families with children in north and mid-County, including transitional housing, comprehensive case management, and assistance in accessing supportive services to assist families in reaching self-sufficiency.
5. **The Interfaith Satellite Shelter Program** provides emergency shelter during the fall and winter months at 40 churches and 2 National Guard armories throughout the county, accommodating 160 people per night; during the spring and summer months, provides a smaller, 42-bed shelter program.
6. **River Street Shelter**, operated by the Santa Cruz Community Counseling Center, provides 32 beds of emergency shelter for homeless adults in the City of Santa Cruz, including 19 beds reserved for persons with mental illness.
7. **County Homeless Aid/Temporary Shelter** provides temporary assistance for families and persons seeking permanent residence through motel vouchers (not in summer months) for a maximum of 16 days assistance. This assistance is available one time only per household.
8. **Jesus, Mary, and Joseph Home** provides housing for single people and homeless families. An interview process is required to be placed on the wait list. Chores are required in exchange for room, clothing, and three meals per day.
9. **New Life Community Services** is a shelter for families and people with children that specializes in Christian drug and alcohol rehab with a six-month residential treatment program. Shelter is available for people not in rehab.
10. **Page Smith Community House:** transitional housing run by the Homeless Service Center.

⁹ "Panhandling in Santa Cruz" <http://www.cruzio.com/~ecocruz/Agenda21/A21Ch0905.html>.

11. **Women's Crisis Support Shelter** provides safe, confidential shelter for women in dangerous relationship/domestic violence situations (and their children).

Approximately 174 to 428 beds are available in the county. Other services available to residents of Capitola who have become homeless include:

1. **Homeless Educational Outreach Program** provides specialized educational services to children and youth who are homeless or at risk of homelessness, including tutoring, counseling, school supplies, and assistance with food, clothing, and transportation, funded by the County Office of Education.
2. **Homeless Persons Health Project** is a program of the County Health Services Agency, which provides specialized coordination of health care services to homeless people throughout the county. Staffed by a bilingual team of public health nurses, community health workers, substance abuse outreach counselors, and a social worker.
3. **Homeless Resource Center** was developed to refer homeless people to the array of services provided by the City and County of Santa Cruz, which includes lockers, shower facilities, job counseling, voicemail, and free hot meals daily.

As part of their effort to address homelessness, Capitola has participated with other jurisdictions in Santa Cruz County to develop a countywide homelessness strategy. Through this participation, the City has and will continue to provide funding to several homeless service organizations and programs. These include: Above the Line Group Home Society; the Central Coast Center for Independent Living; Families in Transition; Homeless Services Center; Emergency Shelter program. (see discussion in Section VI.A).

C. Housing Characteristics

A housing unit is defined as a house, apartment, mobile home, or a single room occupied as a separate living quarters or, if vacant, intended for occupancy as a separate living quarters. Separate living quarters are those in which the occupants live and eat separately from any other persons in the building and which have direct access from the outside of the building or through a common hall. A community's housing stock is the compilation of all its housing units.

1. Housing Growth

Most of Capitola's housing was built between 1970 and 1980. During this decade, the number of housing units in the City increased by 89%, from 2,536 units to 4,794. By 1990, construction rates in the City had begun to slow; there were 5,282 housing units in 1990 according to the Census, a 10% increase from 1980. By 2000, Capitola was nearly built out. According to the Census, only 27 net new units were added between 1990 and 1999, an increase of only 0.5% between 1990 and 2000, for a total of 5,309 units (see Table 9, below). However, the Census data does not match the City's building permit records and annual reports to the Census, which show

that a total of 190 units were permitted in the years 1990 through 1999, while 71 units were demolished, for a net increase of 119 units. This data indicates an increase of 2.3% since 1990, for a total of approximately 5,400 units. The City has not yet determined why these new units were missed by the Census. The slowing rate of construction during the last decade is primarily due to the fact that most of the vacant, easily developable parcels in the City were built out during the prior decades.

Table 9
Total Number of Housing Units, City of Capitola, 1990 and 2000

Year	Housing Units (Census data)
2000	5,309
1990	5,282
Increase (Census data)	0.5% (27 units)
Increase according to City permit records	2.25% (119 units)

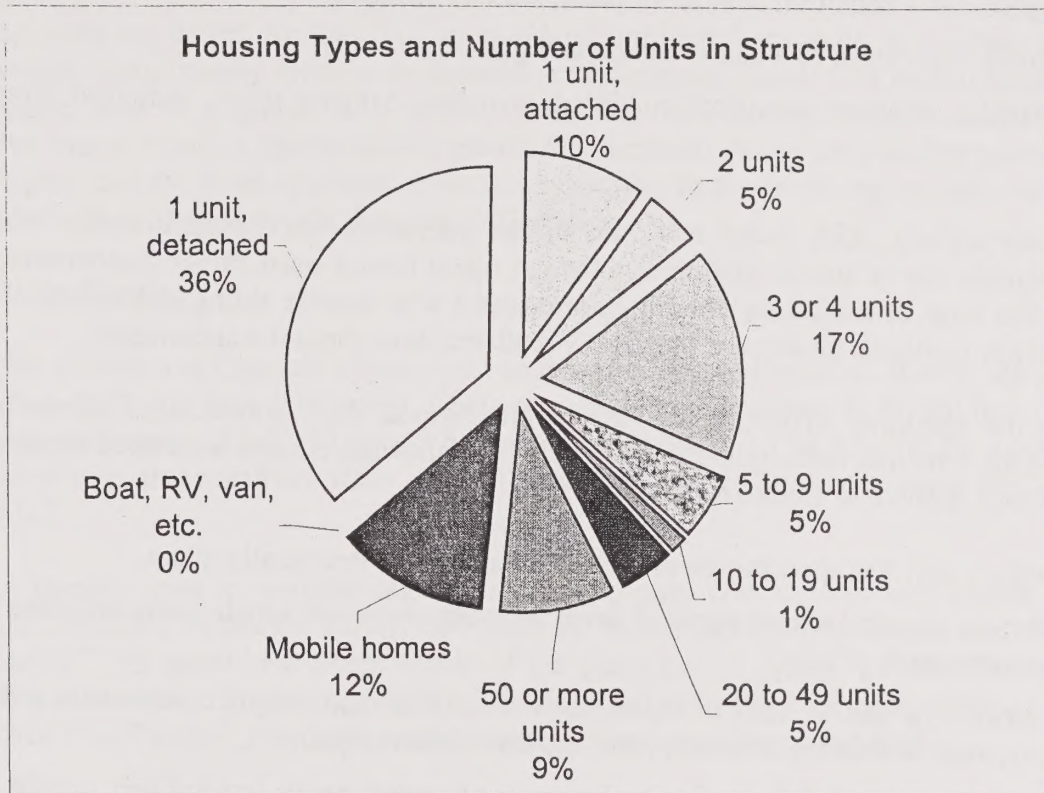
Census 2000 SF 1, and 1990 STF 1 (100% data) and City Building Permit Records

The 2000 US Census housing counts above reflects counts taken in 1999. Since that time, the City of Capitola building department records indicate that another 41 dwelling units have been constructed and another 28 units approved or under construction. When all of the new and permitted units are completed, there will be a total of 5,378 dwelling units (5,470 according to City records).

2. Housing Type

The majority of Capitola housing units are attached. As summarized in Table 9, above, single family detached homes comprise only 36% of the housing stock, with another 10% that is single family attached (townhomes with independent exterior walls and utilities). In comparison, 63% of the County's housing units are single family detached homes, which is due in part to the rural nature of much of the county's land area. Multi-family developments with 20 or more units in a structure comprise 14% of Capitola's housing stock, compared to 6% for the County. Capitola also has a larger percentage of mobile home units, 12% compared to 7% for the County. Mobile homes in Capitola are installed in 9 mobile home parks varying in size from 34 to 114 units. The relative proportion of the City's housing units in each type of structure is shown in Figure 11, below. This data is based on a 1 in 6 sample of all housing units that were surveyed by the Census in 2000, therefore the actual numbers of units in each category are estimates and may not match the actual numbers of units precisely.

Figure 11
Percent of Capitola Housing Units By Type and Number of Units in Structure



Census 2000 SF 3

3. Age and Condition of Housing Stock

Most homes begin to exhibit signs of decay when they approach thirty years of age. Common repairs needed include new roofs, wall plaster and stucco. Homes thirty years or over with deferred maintenance require more substantial repairs, such as new siding, plumbing or multiple repairs to the roof, walls, etc. According to the 2000 Census, 50% of Capitola's housing stock is over 30 years old.

Understanding the aging character of its housing stock, the City of Capitola undertook a comprehensive housing conditions survey. The survey, as discussed above, was funded by a CDBG grant and conducted by Applied Survey Research (ASR) under a contract with the City. ASR walked through every neighborhood of the City, manually recording exterior housing conditions observed. Traditional wood framed and/or masonry dwellings were evaluated according to the following criteria:

1. **Frontage Improvements** – including presence of curb and gutter, and identification of apparent site drainage problems.
2. **Foundation** – foundation condition including identification of visible cracks in the foundation, or leaning or unstable structures.

3. **Roofing** – roof and chimney condition.
4. **Siding/Stucco** – condition of exterior paint, stucco and siding.
5. **Windows** – condition of window frames and glass.
6. **Electrical** – apparent electrical condition including hanging wires, damaged electrical panel.

Based on these criteria, ASR found that 94% of the traditional wood framed and/or masonry homes in Capitola are in sound condition, although many homes need minor improvements or renovation. The most obvious area needing improvement was exterior siding and stucco. Homes needing minor or moderate repairs were generally scattered throughout the community.

To evaluate the condition of Capitola's 659 mobile homes, ASR conducted a drive-through inspection of the 9 mobile home parks in the City. The following criteria were used to assess the condition of each individual mobile home unit:

1. **Sound** – a unit that appears new or well-maintained and structurally intact.
2. **Minor** – a unit that shows signs of deferred maintenance, or which needs only one major component, such as a roof.
3. **Moderate** – a unit in need of replacement of one or more major components and other repairs, such as roof replacement, painting, and window repairs.
4. **Substantial** – a unit that requires replacement of several major systems and possibly other repairs (e.g. complete foundation work, roof structure replacement and re-roofing, as well as painting and window replacement.)
5. **Dilapidated** – a unit suffering from excessive neglect, where the building appears structurally unsound and maintenance is non-existent, not fit for human habitation in its current condition, may be considered for demolition or at minimum, major rehabilitation will be required.

The mobile homes in Capitola were found to be generally in good repair, but all were found to need some minor to moderate repairs, such as roof replacement, painting or window repair. The Pacific Cove mobile home park, located adjacent to the Village area of the City, had a few mobile home units needing substantial repairs or in dilapidated condition.

Capitola has been actively working to maintain its existing housing stock. It operates a rehabilitation program that offers financial assistance to eligible homeowners for home maintenance and rehabilitation. Eligible owners of single family homes and mobile homes can take advantage of this program. The City's continued commitment to these programs is discussed in Section VI.A of this Element.

4. Housing Costs

Housing costs are driven by the price of raw land, infrastructure costs (e.g. sewer and water), construction costs, supply relative to demand, and financing costs. The diminishing supply of developable land in Capitola, the extent of existing mobilehome and attached housing, its attractive coastal location, the economic growth that occurred during the past few years in the Bay Area region, and the level of unmet demand for housing in the entire region have driven up the cost of both ownership and rental housing in Capitola.

Ownership Housing

The value of homes in Capitola varies based on the type, size and location. Recent sales data show prices from \$175,000 for a 1 bedroom, 1 bath manufactured home unit; \$275,000 for a 2 bedroom, 1 bath condominium; \$519,000 for a 2 bedroom, 2 bath home; to \$4,900,000 for a 6 bedroom, 4 bath home with an oceanfront view. In 2001, the median sale price of a home in Capitola was \$639,504¹⁰.

Median home values in neighboring Santa Cruz County communities are similar to that of Capitola: \$803,583 in Scotts Valley, \$977,282 in Aptos, \$430,500 in Felton and \$372,450 in Watsonville¹¹. As noted in a recent article of the Santa Cruz Sentinel¹², Santa Cruz County has become a place where the average working family can't afford to buy. According to the article, fewer than 9% of Santa Cruz County residents can afford a median-priced home.

Rental Housing

The rental housing market in Capitola is comprised of apartments, condominiums, mobile homes and single-family homes. Some of the rental units are rented on a short-term basis as vacation lodging. The Census 2000 reported that 425 Capitola dwellings (8% of the City's housing stock) were being used as seasonal or recreational units. In 1999 the median gross rent being paid by renter-occupied units in the City was \$973 per month, including utilities, while the median rent being asked for vacant units advertised for rent at that time was \$1,184. The median gross rent (\$973) was equal to 28% of monthly household income for renting households at that time.¹³

Vacancy Rates

The residential vacancy rate, a translation of the number of unoccupied housing units on the market, is a good indicator of the balance between housing supply and demand in a community. When the demand for housing exceeds the available supply, the vacancy rate will be low. Concurrently, a low vacancy rate drives the cost of housing upward to the disadvantage of prospective buyers or renters.

¹⁰ Home Sale data for the City of Capitola, October 1, 2000 and March 29, 2001; Yahoo! Real Estate, October 2002; Realtor.com, October 2002.

¹¹ Santa Cruz Association of Realtors, October 2001.

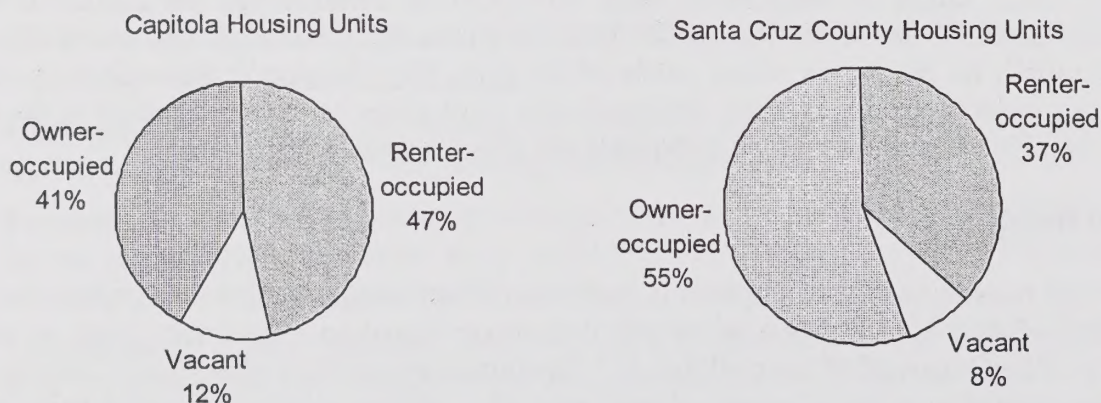
¹² Santa Cruz Sentinel, "Few Can Afford Housing Locally". July 18, 2002.

¹³ Census 2000, SF3, Sample data.

In a healthy housing market, the vacancy rate would be between 5.0 and 8.0 percent. These vacant units should be distributed across a variety of housing types, sizes, price ranges and locations within the City. This allows adequate selection opportunities for households seeking new residences.

According to the 2000 Census, Capitola's owner-occupied units have a vacancy rate of 1.5% and rental units have a rate of 3.0%. These rates indicate that the housing market is very tight with little room for buyers or renters to find a suitable unit or negotiate a lower purchase or rental price. However, nearly 12% of all the housing units in the City were classified as vacant during the Census 2000 survey. Of these vacant units, nearly 70% (425 units) were vacant for seasonal use as either vacation homes or vacation rental properties. In the county as a whole, more than 5000 units, or nearly 8% of the entire housing stock in the county, including the cities, were vacant for seasonal use as vacation homes or rentals, as shown in Figure 12 below.¹⁴

Figure 12
Occupancy Status of Housing Units in Capitola and Santa Cruz County



Census 2000

Household Tenure

According to the 2000 Census, there were 4,692 households residing in Capitola. Of these households, 53% were renters and 47% were homeowners. See Table 10 below for further detail regarding housing tenure in Capitola.

Housing Affordability and Overpayment

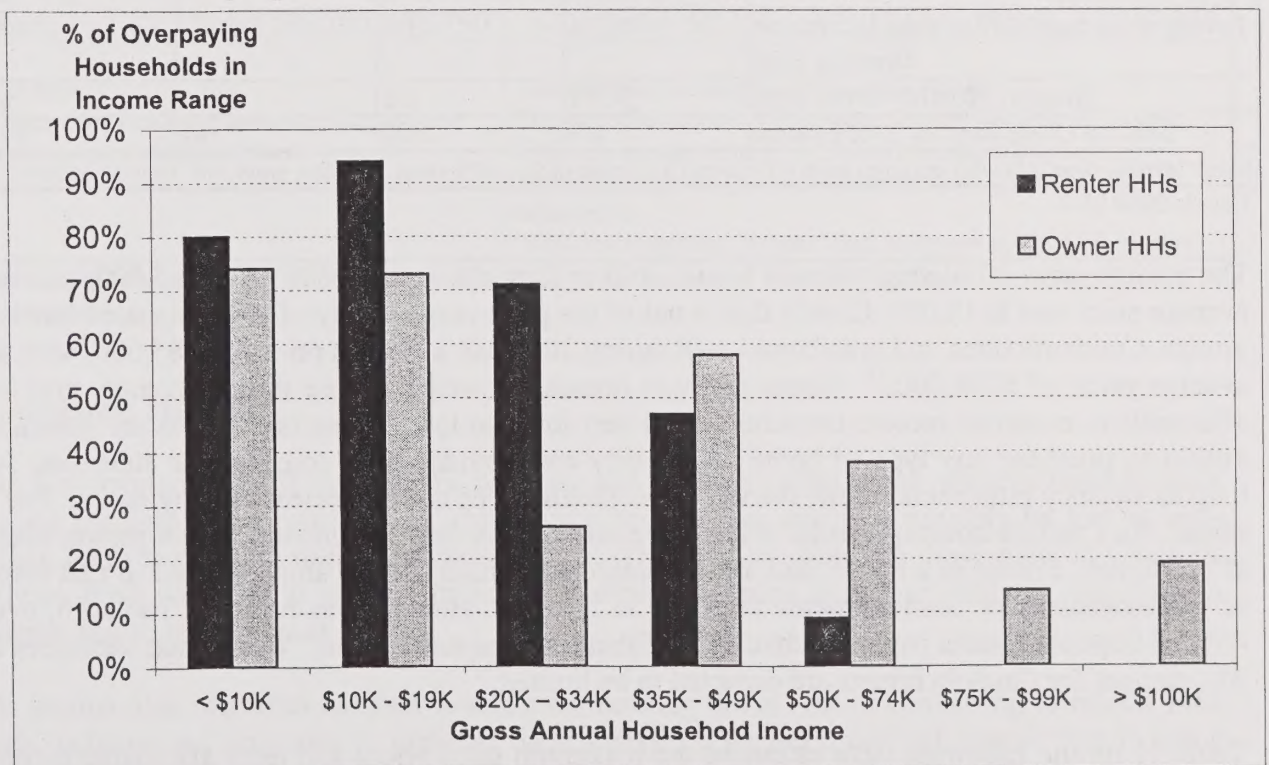
State and Federal standards for housing overpayment are based on an income-to-housing cost ratio of 30% and above. The cost of housing includes: utilities (e.g. water, sewer, electric, gas), taxes and insurance. Households spending more than 30% of their incomes on housing have limited remaining income for other necessities such as food, clothing, and health care. Upper income households are generally capable of spending a larger proportion of their incomes on housing.

¹⁴ Census 2000 SF 1, General Housing Characteristics.

Distinguishing between renter and owner housing overpayment is important. While homeowners may over-extend themselves financially to afford the option of home purchase, the owner has the option of selling the home and also has the opportunity to earn equity on the home. Renters, on the other hand, are limited to the rental market and are generally required to pay the rent established in that market.

Figure 13 shows that the majority of households in the lower income ranges paid over 30% of their incomes on housing in 1999. Among lower income households, a greater proportion of renters overpaid than homeowners. Fewer than half of the higher income households paid over 30% of their incomes on housing, however most of those overpaying in this group were homeowners. For more detail on income, housing cost and tenure, please see Table 10 below and Appendix Two. The prevalence of overpayment among lower income renters indicates a significant need for more rental housing affordable to the City's low and very low income households.

Figure 13
Estimated Percent of Capitola Renter and Homeowner Households
Paying Over 30% of Income on Housing Cost, by Income Range



Census 2000 SF 3. Universe: Specified Renter- and Owner-occupied Housing Units

Table 10 summarizes the information on housing tenure, median home values, rent, and housing cost as a percentage of income, for households in Capitola and the county. Further detail on these subjects is provided in Appendix Two.

Table 10
Housing Tenure, Median Values, Housing Cost and Overpayment
Capitola and Santa Cruz County Households

Occupied Housing Units (Households)	City of Capitola		Santa Cruz County	
	Number	Percent	Number	Percent
Owner Households	2,195	47%	54,681	60%
Paying more than 30% of their Income on Housing Cost	659	30%	14,764	27%
Median Estimated Home Value	\$397,600	n/a	\$377,500	n/a
Median Housing Cost as % of Income	n/a	23%	n/a	24%
Median Mortgage Payment (Owner-Occupied Units with a Mortgage)	\$1,679	n/a	\$1,661	n/a
Renter Households	2,497	53%	36,458	40%
Paying more than 30% of their Income on Housing Cost	1,074	43%	16,771	46%
Median Monthly Gross Rent	\$ 973	n/a	\$924	n/a
Median Gross Rent as % of Income	n/a	28%	n/a	29%

Note: "Median value" of owner-occupied units is the owner's estimate of the unit's value. "Median gross rent" includes utilities.

Census 2000 SF 3

The median price of all single-family homes sold in Capitola during 2002 was \$555,000, and the average price was \$619,000. Clearly this is out of the price range of any of the designated income groups. Condominiums and townhomes sold during 2002 had a median price of \$285,000, with an average price of \$304,000.¹⁵ Some of these homes, as well as some mobile homes, may be affordable to moderate income households, but very low and low income households are generally unable to purchase any type of home unless they are provided with considerable subsidies. As long as vacancy rates remain low, there is little likelihood of housing prices coming down. For a renter, the Capitola housing market offers more choices. A very low income single person could afford to rent a room in a house, and a low income household may be able to afford to rent some of the apartments or condominiums available in the City. However, as noted in Table 10, over 43% of Capitola renters pay more than 30% of their income toward rent. With rental vacancies at 3%, choices for Capitola renters are expected to be limited.

Table 11 on the following page estimates the maximum sales prices and rents affordable to very low, low, and moderate income households in Capitola by number of bedrooms in the home. These estimates are based on the maximum annual gross income limits for each income level, derived from area median income adjusted for household size, as shown in Table 6, above. In each case, the maximum affordable housing cost is equal to 30% of monthly household income, using an assumed household size of one more person than the number of bedrooms in the unit. For example, in order for a three-bedroom home to be considered affordable to very low income

¹⁵ *The Real Estate Report, Santa Cruz County, June 2003*, Rick Campbell, Information Designs, <http://rereport.com/>.

households, it could be rented for no more than \$950 per month, or sold for approximately \$118,500. That same three-bedroom home could be considered affordable to low income households if it were rented for \$1,510 or less per month, or sold for approximately \$189,600. Likewise, the home could be considered affordable to moderate income households if it were rented for no more than \$2,240 or sold for approximately \$280,250.

Table 11
Maximum Affordable Rents and Purchase Prices by Income Level and Unit Size
for Low and Moderate Income Capitola Households

Income Level	Studio		1-Bedroom		2-Bedroom		3-Bedroom	
	Rent	Buy	Rent	Buy	Rent	Buy	Rent	Buy
Very Low (50% of AMI)	\$660	\$83,000	\$760	\$94,900	\$850	\$106,600	\$950	\$118,500
Low (80% of AMI)	\$1,060	\$132,750	\$1,210	\$151,700	\$1,360	\$170,650	\$1,510	\$189,600
Moderate (120% of AMI)	\$1,570	\$196,200	\$1,790	\$224,200	\$2,010	\$252,250	\$2,240	\$280,250
<i>Rental Notes:</i> Maximum rent is 30% of gross monthly income Maximum rent includes utilities				<i>Assumptions for Maximum Purchase Prices</i> Housing allowance = 30% of gross monthly household income Utilities, insurance, taxes = 25% of housing allowance Mortgage payment (principal & interest) = 75% of housing allowance 10% downpayment, 30 year fixed mortgage at 7% APR interest				

Based on 2003 Adjusted Area Median Incomes for Santa Cruz County, CA Dept. of Housing & Community Development

D. Assisted Housing

State law requires the City to identify, analyze, and propose programs to preserve housing units that are currently deed restricted to low income housing use and will possibly be lost as low-income housing as these deed restrictions expire. This section identifies those units in Capitola, analyzes their potential to convert to non-low income housing uses and analyzes the costs to preserve and/or replace those units.

This section also identifies assisted low income housing not at risk of converting to market rate. Goals, policies and programs to preserve these assisted units are presented later in this Housing Element.

1. Inventory of At-Risk Housing

This section identifies all of the low income rental housing units in the City of Capitola that are at risk of converting to losing their affordability because of expiring use restrictions or contracts during the current planning period (January 2000 through December 31, 2007). The inventory of

assisted units included a review of all rental units assisted under federal, state and/or local programs, including HUD programs, state and local bond programs, and local in lieu of fees, inclusionary, density bonus, or direct assistance programs. The inventory also covers all units that are eligible to change to non-low income housing units due to termination of a subsidy contract, mortgage prepayment, or expiring use restrictions. The inventory was compiled based on information provided by City staff.

Description of At-Risk Projects

During the past Housing Element cycle, one project was identified as “at-risk” of converting from low-income use to market rate. The Capitola Gardens development on 46th Avenue provided 78 units of subsidized senior housing. This development was restricted to households who are 62+ years of age; and approximately 10% of the units were reserved for senior households who are disabled. There was typically a 10-year waiting list for renters who want to occupy this development.

Capitola Gardens is a privately owned development that had been funded by HUD with Section 8 rental assistance for 20 years. The program restrictions expired on December 30, 1999. To protect the tenants of these units, the City of Capitola worked closely with the Housing Authority of the County of Santa Cruz to ensure that all eligible tenants in the project upon expiration of the use restrictions received Section 8 vouchers (tenant-based rental assistance). The vouchers went into effect January 1, 2000.

The voucher, once assigned to a tenant, is theirs for as long as they wish, provided they do not violate Section 8 program rules. There is an annual re-examination of income to determine the tenant’s eligibility for continued voucher assistance. Owners of properties renting to Section 8 households can choose not to renew a lease. If that occurs, the tenants must look for another unit that can be rented under the Section 8 voucher program.

The owners of Capitola Gardens have assured the City and the Housing Authority that they will continue to renew the leases for all tenants who were living in Capitola Gardens on January 1, 2000, when the conversion occurred. The City is committed to continuing to work with the owner and Housing Authority to ensure the affordability of Capitola Gardens is maintained. The City’s commitment extends to the monitoring and maintenance of its other federally, state and locally assisted units that may become at-risk in future planning periods.

2. Inventory of Affordable Housing Not At-Risk

In addition to the Capitola Gardens project, discussed above, there are seven other affordable housing developments in the City. The majority of these projects were constructed with assistance from the City. None of these projects are at risk during this planning period, and the majority of the projects will remain affordable indefinitely. A summary of these projects is provided below:

Shorelife Church Neighborhood Manor: A 20-unit rental property owned by Shorelife Community Church. Rents are below-market and some units are rented to households who have Section 8 rental assistance. The church fills generally fills vacancies with needy households

referred to them by local social agencies, such as the Housing Authority and the Skills Center, with a preference for disabled, elderly, or low-income students and church staff as needed. Because these units are owned by a nonprofit agency, they are expected to remain affordable indefinitely.

Grace Street Apartments: A 12-unit apartment project managed and owned by the Housing Authority. Rents are affordable and units are limited to occupancy by low and very low income households. Because these units are owned by a nonprofit agency, they are expected to remain affordable indefinitely.

Silvercrest: A 93-unit apartment complex owned by the Salvation Army. These units are rented at rates affordable to very low and low income households. The development provides housing for both family and senior households, with a preference to senior households. Because this complex is owned by a nonprofit agency, they are expected to remain affordable for as long as the nonprofit owns it. At this time they have no formal legal covenants requiring affordability; however the Salvation Army is currently working with the City and the Capitola Redevelopment Agency to secure significant public funds for a substantial rehabilitation of the complex, and agreements associated with the funding will include long-term affordability restrictions.

Habitat for Humanity Project (38th and Brommer): 6 very low income dwellings constructed for very low income first-time homebuyers. The Capitola Redevelopment Agency (RDA) provided the land, and a CDBG infrastructure development grant was used for infrastructure improvements. These units will remain affordable in perpetuity and are not at risk of losing their affordability restrictions.

Dakota Apartments Accessible Housing: 25 accessible rental units located at Clares/Capitola Road. The rentals are available for very low income households with one or more persons affected by mobility impairment/traumatic brain injury. The project used funding from Capitola's LMIHF and HOME Program Income Re-Use Funds, and the HUD 811 program. The development is owned by the National Handicapped Housing Institute, a nonprofit agency, and restrictions ensure that the units will remain affordable in perpetuity.

Loma Vista Mobilehome Park Resident Acquisition: 90 mobile home units that were purchased by lower income residents with the assistance from LMIHF and CDBG funds. These units are bound by a covenant which allows the units to be sold only to homebuyers of moderate or lower income.

III. CONSTRAINTS ON HOUSING PRODUCTION

A variety of factors add to the cost of housing in Capitola and constrain the provision of affordable units. These include market and governmental constraints. In addition, pursuant to recently promulgated Senate Bill 520-Chesbro (SB520), potential and actual constraints upon the development, maintenance and improvement of housing for persons with disabilities also are discussed within this Housing Element.

The extent to which these constraints are affecting the supply and affordability of housing in the City of Capitola is discussed below.

A. Market Constraints

The high cost of new housing in Capitola is primarily due to the high cost of land, attributable, at least in part, to the limited supply of vacant, developable land. High construction costs, labor costs, and construction liability concerns also contribute to the high cost of housing. For these reasons, most of the development initiated by the private market in recent years has been within the market niches of custom single family homes and small high-end subdivisions of fewer than 10 homes.

1. Land Costs

In Capitola, average residential land cost is estimated at \$450,000 for a single family lot (there are only about 25 vacant single family lots remaining within Capitola), and \$100,000 per dwelling unit for a multifamily site¹⁶. City policies to utilize the Low-Moderate Income Housing Fund of the Redevelopment Agency and any available CDBG and HOME program funds to subsidize the construction of affordable housing can counterbalance the constraint of high land costs to some extent. During the past planning period, the City utilized these policies for construction of the Dakota Apartments and Habitat for Humanity homes, and is committed to continuing these policies during the current planning period.

2. Construction Costs

The cost of building materials comprises about 50% of the sales price of a home¹⁷. According to construction industry indicators, overall construction costs rose over 30% during the past decade, with rising energy costs a significant contributor. Other housing construction components that affect the final sale or rental price of a dwelling unit include labor, financing, developer profit and permitting costs.

Typical construction costs for a single family dwelling in Capitola is \$150 per square foot, and \$100 per square foot for a multifamily dwelling¹⁸.

¹⁶ Pat Dwire, City of Capitola Community Development Dept., September 2002

¹⁷ 2002 Residential Construction Costs", Saylor Publications, Inc.

¹⁸ City of Capitola Building Department, July 2002.

Lower residential construction costs can be achieved by reducing amenities and quality of building materials (within the range acceptable for health, safety, and adequate performance) and by using manufactured housing (including both mobile homes and modular housing).

An additional factor related to construction costs is the number of units built at the same time. As the number of units developed increases, construction costs over the entire development are generally reduced based on the economy of scale. This reduction in costs is of particular benefit when density bonuses are utilized for the provision of affordable housing.

Constraints caused by high construction costs are addressed in this Element through City policies that support higher density housing and use of mobile or manufactured units.

3. Financing

Home mortgage interest rates are currently relatively low. A fixed-rate 30-year loan for a new home currently carries interest rates at or below 6 percent. Lower initial rates are available with Graduated Payment Mortgages (GPMs), Adjustable Rate Mortgages (ARMs), and Buy-Down Mortgages. Current interest rates are not a constraint to the construction of affordable housing. Financing for both construction and long term mortgages is generally available in Capitola subject to normal underwriting standards. However, a more critical impediment to homeownership involves both the affordability of the housing stock and the ability of potential buyers to fulfill down payment requirements. Typically, conventional home loans will require 10 to 20% of the sale price as a down payment, which is the largest constraint to first time homebuyers. This indicates a need for flexible loan programs and a method to bridge the gap between the amount of a required down payment and a potential homeowner's available funds. City programs are already in place that provide below market rate financing to help first time homeowners and mobile home park residents purchase their home.

B. Governmental Constraints

Housing affordability is influenced by factors in both the private and public sectors. Actions by the City and by the surrounding jurisdictions influence the amount of housing developed, its type, form, location, and ultimate price. Land use controls, site improvement requirements, building codes, fees and other local programs intended to improve the overall quality of housing may have the unintended consequence of serving as a constraint to housing development.

1. Land Use Controls

The Capitola General Plan and Zoning Ordinance provide for a range of housing types and densities. Residential uses are permitted in the following zones that include both residential only zones and commercial mixed-use zones:

R-1 (Single family): Permits one dwelling unit on a lot. The lot shall be a minimum 5,000 square feet in size (or less if an existing legally created lot), averaging 8.5 units per acre.

Floor Area Ratio is limited to 65% of the lot. Front yards for the first floor shall be a minimum of 15' in depth; side yards shall be 10% of lot width with a minimum of 4 feet and rear yards shall be equal to not less than 20% of the lot depth to a maximum of 25 feet. Height limit is 25 feet. Single family dwellings and small community care residential and family day care homes are principally permitted. Architectural and site review is required for new construction and substantial additions.

R-M (Multifamily): RM-LM (low-medium density) zone permits one unit per a minimum site area of 4,400 square feet; average density is 10 units per acre; maximum height is 30 feet. RM-M (medium density) zone permits one unit per a minimum site area of 2,900 square feet; average density is 15 units per acre; maximum height is 35 feet. RM-H (high density) permits one unit per a minimum site area of 2,200 square feet; average density is 20 units per acre; maximum height is 35 feet. Single family dwellings, multiple family residential, and small community care residential and family day care homes are principally permitted. Architectural and site review is required for new construction and substantial additions. Minimum lot size is 5,100 square feet, and maximum lot coverage/structure footprint is 40%. Minimum setbacks are 15 feet for the front yard, 10% of lot width for side yards, and 15% of lot depth for rear yard. Requirements include that 50% of the rear yard must be usable open space and 48 square feet of private open space per unit.

TRO-Transient Rental Use Overlay District: Permits transient rental use in residential zones subject to a conditional use permit. The conditional use permit establishes parking and occupancy requirements for these facilities.

C-V Central Village District: This is a mixed use residential/commercial district located in the community's historic village district. Residential is principally permitted on the first and second floors as part of a mixed use development. There are six residential overlay areas within the CV district that allow only residential uses. Weekly rentals are permitted in certain area of the zone; and motels/hotels are permitted with a conditional use permit. In the CV zone, there is no minimum lot area per unit; density is only indirectly limited by need to meet parking requirements. In the CV residential overlay districts, allowable lot coverage/footprints range from 70% to 90% for building and parking areas. There are no minimum setback/yard areas, expected that 10% of the lot is to be landscaped. Maximum height is 27 feet, and architectural and site review is required.

C-R Commercial Residential District: This is a mixed use commercial/residential area. Residential is principally permitted as a single family dwelling or duplex use, or residential may be developed as a mixed use in conjunction with commercial development with a conditional use permit. This zoning district has very flexible development standards; there is no specific maximum lot coverage or minimum lot area per unit, and no minimum front, side or rear setbacks. Any setbacks determined through Architectural and Site Review based on desired relationship to street and adjacent uses. Maximum height is 27 feet, and parking requirements must be satisfied.

C-N Commercial Neighborhood District: This is a neighborhood commercial district that permits single family residential and residential/commercial mixed use development

as principal permitted uses. Multifamily residential is permitted with a conditional use permit. Again, this district has permissive development standards: there is no specific maximum lot coverage or minimum lot area per unit, density is indirectly controlled by the need to meet parking requirements. Required setbacks are 15 feet at the front, 10% of lot width for the sides, and 10 feet for commercial developments and 20% of lot depth for residential projects. During 2004, the City will establish a density range of 20 to 25 units per acre.

C-C Community Commercial District: This zoning district accommodates community and regional commercial uses, with most CC zoning areas located along major transportation corridors. Presently the CC zoning district does not allow residential uses. During 2004, the city of Capitola will amend the CC district to allow multiple family residential development at a density of 25-30 units per acre. Development standards allow a 40-foot maximum height, with no minimum lot area, no minimum lot area per dwelling unit, no maximum lot coverage, and side and rear yard setbacks as determined through Architectural and Site Review. A minimum landscaped front setback of 15 feet is required, and parking standards must be met.

PO Professional Office District: Residential uses are principally permitted in the PO district, using RM development standards with density as determined by the City Council. Maximum height is 35 feet, and there is no specific minimum lot area required. Maximum lot coverage/footprint is 40% for a one-story structure, 35% for two stories, and 30% for three stories. The only required yard is for a front yard at 5% of the lot area. Parking standards must be met, and projects require Architectural and Site Review.

IP Industrial Park District: Single and multiple family residential uses are conditionally permitted in the IP district. Maximum height is 30 feet, and there is no specific minimum lot area required. Maximum lot coverage/footprint is 40% for a one-story structure, 35% for two stories, and 30% for three stories. The required front yard is 10% of the lot area, with some side setback requirements adjacent to residential uses. Parking standards must be met, and projects require Architectural and Site Review.

PD Planned Development District: This district allows mixed land uses and/or varied dwelling types. Development standards are flexible, tailored to the constraints of the site and needs of the development. The PD district approach has proved to be a key tool that has enabled residential developers to pursue creative, well-designed residential projects with development standards suitable to the specific site.

MHE Mobile Home Exclusive District (Chapter 17.12) and Mobile Home Parks Ordinance (Chapter 17.90): The MHE district allows mobilehome parks and related accessory uses as principally permitted; the only conditionally permitted uses are home occupations, public facilities and utilities, and single family dwellings located on the mobilehome park parcel or on separate 5,000 square foot parcels. Chapter 17.12 provides specific requirements similar to State laws that protect the City's existing mobile home parks from conversion to another use, through the Relocation Impact Report and other requirements.

Housing Affordability Ordinances: The City has adopted a rent stabilization ordinance for mobile home parks and a condominium conversion ordinance. The rent stabilization ordinance protects mobile home park residents from unreasonable increases in space rents. The Condominium Conversion Ordinance regulates the conversion of apartments to condominiums by requiring that 35% of the units be made available to low and moderate income households.

Concurrent with this Housing Element, the City initiated preparation of a second unit ordinance that will permit second units on all single family lots of 5,000 square feet or larger. The second unit ordinance was adopted in October 2003 and became effective in November 2003. The City also is initiating preparation of a density bonus ordinance to permit density bonuses in all residential zones, and to clarify that density bonuses of up to 25% will be granted for residential projects consistent with state law, which specifies that a minimum 25 percent density bonus and additional incentives, as mandated by State law, are to be provided to those developers who agree to construct at least:

- 20% of the units affordable to lower-income households; or
- 10% of the units affordable to very low-income households; or
- 50% of the units for senior citizen housing.

The affordable units described above must be restricted to ensure such affordability for a period of 30 years, if rental units; or 10 years if condominium units.

Another zoning mechanism the City will pursue is an Affordable Housing Overlay District, to increase allowable density by up to 50% to facilitate development of new low and moderate income dwelling units, at densities of between 15 and 25 units per acre on certain vacant and underutilized residential lands. The increased density would be allowed through negotiation and approval of a Development Agreement between the city and the property owner, with the agreement to address provision of a substantial level of affordable housing, and any phasing, temporary/permanent relocation, and replacement housing needs.

Manufactured homes offer additional affordable housing opportunities to City residents. Single family manufactured housing units are permitted by right in any residential district.

The City's parking ordinance permits uncovered parking spaces to count toward meeting parking requirements. Currently, minimum parking for single family homes is three spaces: one covered and two uncovered. . For homes over 2,000 square feet, four spaces are required: two covered and two uncovered. Duplexes and triplexes require a minimum of one covered and one uncovered space. Apartments and condominiums of more than four units require a minimum of one covered space per unit and one and a half uncovered spaces per unit within the site. As a policy of this Housing Element, the City will review the residential parking requirements to ensure that they are not excessive nor a constraint to affordable housing development. The Planning Commission and City Council have held joint study sessions to review residential parking requirements, and have directed that the level of required parking be reduced for single family homes to require only three spaces for homes less than 2,600 square feet, with no more than one covered space required for any size of home.

Section 17.51.200 of the existing Capitola zoning ordinance allows the Planning Commission to approved "shared parking" arrangements, upon a determination that the periods of occupancy and use of the structures/uses in the development(s) are not simultaneous with each other. Implementation programs of this Housing Element call for the city to evaluate its parking ordinance to improve shared parking provisions to facilitate mixed use developments, and to possibly reduce parking requirements for senior and special needs housing.

2. Development Fees

Development fees that apply to residential development in Capitola are low relative to most areas in California. There are no park, transportation, roadside improvement, childcare or other infrastructure exactions that apply within the city limits. In addition to standard planning and building fees (see planning fee chart below), the City of Capitola does take in the school impact fee for the school district of \$2.00 per square foot, and also takes in a Sanitation/drainage district fee of 80¢ per square foot. According to the Building Official, typical fees for a typical 1,500 square foot single family residence would be as follows:

Plan Check Fee:	\$2,060.91
Permit Fee:	\$3,170.63
School Impact Fee:	\$3,000.00
Water Connection Fee:	\$5,856.00
Sewer Connection Fee:	\$4,500.00
Seismic Fee:	\$30.00
Planning Plan Check Fee:	\$634.13

TOTAL: \$19,251.67

The Planning Department Fee Schedule was amended in July 2003 to reflect a project-by-project cost recovery approach. Applicants make a deposit at the time of application, and planner time is charged at a rate of \$95.00 per hour, which includes overhead and other department and city staff involvement. Any unused deposit funds are returned to the applicant. This approach ensures that development fees are fair, based on each project's processing requirements, and not excessive.

The city's approach to development fees usually results in a lower per-unit fee cost for multi-unit projects. Permits usually required for multiple family developments include Architectural and Site Review and sometimes a Coastal Permit. Most coastal permits are issued without conditions and are not appealed to the Coastal Commission; meaning that the city's architectural and site review process generally also addresses consistency with the coastal act and city's local coastal program.

If an applicant desires exceptions to development standards for constrained sites, then the Planned Development approach involves a rezoning, and creation of site-specific development standards. The PD approach has been used several times in the last few years to develop higher density detached single family developments on small sites of about 1 to 2 acres. The PD rezoning fee replaces fees that would have been paid for needed variances, and thus does not act as a constraint.

TABLE 12: PLANNING DEPARTMENT FEE SCHEDULE

Architectural and Site Review Permit

Residential – New or >= 50% addition/Remodel	Cost, \$3000 min. deposit
Residential - <50% Addition/Remodel	Cost, \$1000 min. deposit
Commercial New, Addition or Exterior Remodel	Cost, \$5000 min deposit
Commercial Modification – Minor (Staff)	N/A
Commercial Modification – Major (CPC Review)	N/A
Floodplain Elevation/Certification Review	*Cost + 15%
Geologic/Engineering Report Review	*Cost + 15%
Archaeological Survey Report Review	*Cost + 15%
Biotic Report Review	*Cost + 15%
Traffic Report Review	*Cost + 15%
Architectural Historian Report Review	*Cost + 15%
* + 3 rd party review costs if necessary	
Temporary Signs – Banner Permits	\$ 30.00
Signs – Staff Approval (per application)	\$ 60.00
Signs – CPC Approval (per application)	Cost, \$500 min deposit
Master Sign Program – CPC Approval	Cost, \$1000 min deposit
Fence Permit – any fence approved by Staff	\$ 35.00
Fence Permit – any fence approved by CPC	\$ 145.00
Photovoltaic Solar Panels	Fees Waived

Use Permits

Home Occupation Use Permit – Staff or CPC	\$ 115.00
Family Care Home Use Permit	\$ 230.00
Mobilehome Park Change Of Use Or Closure	Cost
Condo Conversion	Cost
CUP for Significant Alteration of Historic Feature	Cost, \$1000 min. deposit
Transient Rental Occupancy Use Permit	\$ 560.00
Master Conditional Use Permit – CPC approval	Cost, \$2000 min. deposit
Tenant Use Permit (MCUP) – Staff approval	\$ 60.00
Conditional Use Permit – ZA/Staff approval	Cost, \$1000 min. deposit
Conditional Use Permit – CPC approval	Cost, \$2000 min. deposit
CV/CN Outdoor Display Merchandise	\$ 175.00
Temporary Uses	\$ 65.00
Commercial Sidewalk/Parking Lot Sale Permit	\$ 40.00

Variances

Single Family Residences (Each)	Cost, \$1000 Min. Deposit
Floodplain Ordinance Variance	Cost, \$1000 min. deposit
All Others (each)	Cost, \$2000 min. deposit

Coastal Permits	Cost, \$1000 Min. Deposit
Coastal Permit Exclusion	\$ 70.00
Environmental Review Fees	
CEQA Exemption Determination	\$ 40.00
Initial Study (ND/EIR Determination)	Cost, \$1500 min deposit
Negative Declaration (and Mitigated ND)	Cost, \$1500 min deposit
EIR Processing	Cost + 15% consultant fee, \$5000 min deposit
Mitigation Monitoring Program	Cost + 15%
NEPA Compliance	Cost +15%
City Filing of CEQA Exemption or Notice of Determination	*\$ 60.00
Fish & Game Certificate of Exemption Filing Fee	\$ 30.00
Fish & Game Negative Declaration Notice of Determination Filing Fee	\$1500.00
Fish & Game EIR Notice of Determination Filing Fee	\$ 1000.00
*City filing fee always charged; Fish & Game fee added as needed	
General Plan Amendment (Map And/Or Text)	Cost \$5000 Min Deposit
Local Coastal Program Amendment	Cost, \$5000 min deposit
Local Coastal Program Amendment (if also paying for GPA or rezoning)	See GPA
Zoning Ordinance Amendment (Map And/Or Text)	Cost, \$5000 Min Deposit
PD Preliminary Development Plan Approval	Cost, \$3000 min deposit
PD Rezoning Fee	Cost, \$5000 min deposit
Subdivisions	
Certificate of Compliance	Cost, \$5000 min deposit
Boundary Line Adjustment/Merger/Reversion	Cost, \$1000 min deposit
Parcel Map (4 parcels or less)	Cost, \$2000 min deposit
Tentative Map (5 parcels or more)	Cost, \$5000 min deposit
Final Map	Cost, \$2000 min deposit
Subdivision Modification	N/A
Appeals of projects with coastal permits, or by City Council	-0-
Development Agreement	Cost, \$5000 min deposit
Specific Plan	Cost, \$5000 min deposit
Planning Plan Check & Final Inspection	20% of Building Permit fee
<u>Major Development Projects</u>	
Projects With Building Valuation Of \$2,000,000	Cost, \$5000 Min. Deposit

3. Local Processing and Permit Procedures

The evaluation and review process required by City procedures contributes to the cost of housing in that holding costs incurred by developers are ultimately reflected in the unit's selling price. The City's goal is to expedite processing of all residential development applications.

Site Plan Approval Processing

Because Capitola is nearly built-out, most residential projects are small infill or redevelopment projects. The approval process entails a site review by Community Development Department staff, an advisory review by the Architectural and Site Committee, review and approval by the Planning Commission, followed by plan check by building and planning staff. Total time to process an application typically ranges from 8 to 12 weeks. Coastal permits are processed and approved concurrently for most projects in the Coastal Zone.

Local Coastal Program and Coastal Permits

The City of Capitola's Local Coastal Program has been certified by the California Coastal Commission, and coastal permits are issued by the City. There are three Visitor Serving areas that are "areas of deferred certification", but these are not residential areas and therefore the fact that coastal permits for these areas would need to be issued by the Coastal Commission does not constrain housing production. Within the City of Capitola, location in the coastal zone generally does not result in a more complex or time consuming development review process. Because the City requires Architectural and Site Review (design permit) for nearly all development, the fact that a coastal permit may also be required does not generally result in a substantively different application review process or timing. The City of Capitola has a reputation for carrying out development review in a very timely way, usually completed within 2 to 3 months of application submittal.

General Plan Amendment and Zoning Code Amendment Processing

Applications for amendments to the City General Plan and Zoning Code are reviewed as discretionary actions. These applications are reviewed by the Community Development Department, then forwarded to the Planning Commission. The Planning Commission holds a public hearing, reviews the application, and forwards its recommendation to the City Council. The City Council is the approving body for all General Plan and Zoning Code amendments. It is the City's goal to process these actions within six months after a complete application is received, or as required under CEQA and other applicable laws.

4. SB 520 Compliance

Pursuant to Senate Bill 520-Chesbro (SB520), this section analyzes potential and actual constraints upon the development, maintenance and improvement of housing for persons with disabilities; discusses local efforts to remove governmental constraints that hinder the locality from meeting the need for housing of persons with disabilities; and identifies programs that

remove constraints or provide reasonable accommodations for housing designed for persons with disabilities.

Capitola endeavors to accommodate disabled access and to comply with SB520 requirement. The majority of Capitola's arterial streets are fitted with curb cuts, disabled access signal controls and seeing impaired crossing signals. The City Building Official also strictly enforces American Disabilities Act (ADA) requirements on new and rehabilitated development.

Following are responses to questions of the "SB Analysis Tool", promulgated by HCD:

1. *Does the locality have any processes for individuals with disabilities to make requests for reasonable accommodations with respect to zoning, permit processing, or building laws?*

Response #1: Pursuant to California Building Code Section 104, the City Building Official has authority to approve alternate methods of design.

2. *Describe the process for requesting a reasonable accommodation.*

Response #2: The Building Official may approve any alternate for reasonable accommodation, provided the Building Official finds that the proposed design is satisfactory and complies with the provisions of Section 104 of the California Building Code and that the material, method or work offered is, for the purpose intended, at least the equivalent of that prescribed in the code.

3. *Has the locality made efforts to remove constraints on housing for persons with disabilities, such as accommodating procedures for the approval of group homes, ADA retrofit efforts, an evaluation of the zoning code for ADA compliance or other measures that provide flexibility?*

Response #3: Small community care residential facilities for up to 6 clients are allowed as a principal use in the R-1 and RM zoning districts. Large community care residential facilities for 7+ clients are allowed as a conditional use in both districts, with additional requirements of a public hearing and additional application submittals (such as required state licenses etc.). In addition, the City Building Division provides no-cost consultations to assist in the development of plans for ADA retrofitting.

4. *Does the locality make information available about requesting a reasonable accommodation with respect to zoning, permit processing, or building laws?*

Response #4: Regarding accommodations needed with regard to public hearings, the Capitola Community Development Department provides information on agendas, as requested, and posts a notification of such at the Community Development and Building counter, regarding accommodations that are available to facilitate participation in the application review process. See response #2 above regarding opportunity to request reasonable accommodation with respect to building laws. The Building Official is a member of the Architectural and Site Review Committee, which is a technical review meeting with the applicant, at which need for accommodation can be identified and/or requested. With regard to zoning, any development standards can be modified by requesting a variance. The City of Capitola would typically support variances needed to accommodate persons with disabilities. The City provides funding to the Central Coast

Center for Independent Living (CCCIL), an agency that facilitates housing and other services for the disabled.

5. *Has the locality reviewed all of its zoning laws, policies and practices for compliance with fair housing law?*

Response #5: Yes.

6. *Do parking standards and requirements address disabled access?*

Response #6: Residential parking standards do not differentiate. A request to reduce the requirements would be handled the same as any other reduction request, beginning with a review to determine whether it can be handled administratively or through the variance procedure.

7. *Does the locality restrict the siting of group homes? How does this affect the development and cost of housing?*

Response #7: As indicated under response #3, above, the City accommodates the siting of group homes. There is no indication that this accommodation affects the cost and development of housing in Capitola.

8. *What zones allow group homes other than those covered by state law? Are group homes over six persons also allowed?*

Response #8: As indicated in Response #3, above, group homes with up to 6 clients and 7+ clients are permitted in the R-1 and RM zoning districts.

9. *Does the locality have occupancy standards in the zoning code that apply specifically to unrelated adults and not to families? Do the occupancy standards comply with Fair Housing Laws?*

Response #9: The only definition of "Family" enforced in Capitola is that found in the Uniform Building Code (UBC) pertaining to number of persons based on square footage of the structure.

10. *Does the land-use element regulate the siting of group homes?*

Response #10: No.

11. *How does the locality process a request to retrofit homes for accessibility (i.e., ramp request)?*

Response #11: Applications for residential accessibility retrofitting are exempted from the City Architectural and Site Review process and instead are reviewed and approved at Community Development staff level. The Building Department then issues the building permit typically within three working days.

12. *Does the locality have a set of particular conditions or use restrictions for group homes with greater than 6 persons? How do they affect the development of housing for persons with disabilities?*

Response #12: Refer to Responses #3 and #8 above

13. *What kind of input does the locality allow for the approval of group homes? Is it different than from other types of residential development?*

Response #13: The process for approval of group homes is discussed in Response #3, which is similar or less stringent than the process followed for other types of residential development.

14. *Does the locality have particular conditions for group homes that will be providing services on-site?*

Response #14: No, Capitola does not differentiate between group homes and other types of residential development.

15. *Has the locality adopted the Uniform Building Code?*

Response #15: Yes.

16. *Has the locality adopted any universal design elements?*

Response #16: Yes, as contained within Chapter 11 of the California Building Code, and as promulgated in Policy 4.1 of this Housing Element.

17. *Does the locality provide reasonable accommodations? Does the locality provide reasonable accommodations for persons with disabilities in the enforcement of building codes and the issuance of building permits?*

Response #17: Yes, see response to above questions.

5. Jobs/Housing Balance

In response to the requirements of the Federal Clean Air Act, the State of California has formulated a State Implementation Plan (SIP) that sets forth the measures that are necessary to ensure the attainment and maintenance of the National Ambient Air Quality Standards (NAAQS) contained in the Act. As a means of carrying out the SIP and ensuring that the NAAQS are attained in the Monterey Bay/Santa Cruz County region, in which Capitola is located, the Monterey Bay Unified Air Pollution Control District has adopted a Regional Air Quality Management Plan (AQMP). The AQMP, in turn, requires all jurisdictions within its region revise their general plans to be consistent with the SIP. A local general plan is consistent with the SIP if the development allowed by the plan promotes balanced development and traffic management strategies.

The City of Capitola's adopted General Plan permits a generous mix of residential, mixed commercial-residential, commercial and industrial development. Although a good portion of its land area is in residential uses, Capitola has a strong regional commercial center and a commercial tourism industry focused on its seashore location. The Capitola General Plan also promulgates a traffic level of service "C", which indicates that the roadway is operating at 71-80% of its design capacity and traffic is moving at a moderate pace. Increases in residential development that cause traffic to increase and roadways to exceed level of service "C" would be judged inconsistent with that standard, and CEQA review/mitigation measures would occur. As a policy of this Housing Element, the City will locate higher density zoning along transportation corridors and seek opportunities to expand transit ridership in the community. Each of the key housing opportunity

sites identified in Table 14 are located along major transportation routes that are served by transit buses, bike lanes, and sidewalks. Many are located in close proximity to job centers.

C. Environmental and Infrastructure Constraints

Environmental conditions can affect development potential. Compliance with regulations pertaining to the coastal zone, riparian corridors and environmentally sensitive habitat areas can constrain development potential on certain sites.

Traffic congestion throughout the region is a significant constraint. Highway One along much of its length contains only two lanes in each direction, and it operates at level of service F during peak hours and also at other times. Caltrans has completed a Project Study Report for widening of the Highway, but required planning and environmental review, along with the need to identify sufficient funding, mean that the project will not be implemented for many years. Traffic on major circulation corridors within Capitola (Capitola Road, 41st Avenue) also currently operates well below the city's Level of Service "C" standard, and it is not clear that improvements can be identified that would bring those corridors into compliance with the city's standard. However, a comprehensive consultant contract was awarded on 2003, which includes study of these corridors to identify possible feasible improvements to improve levels of service. In December 2003 the Capitola Redevelopment Agency approved design and construction of the following improvements, which will improve levels of service for 41st Avenue and Gross Road:

1. The widening of Gross Road, west of 41st Avenue to accommodate a second left hand turn lane.
2. The re-channelization of Gross Road and Auto Plaza Drive to improve right-of-way conflicts.
3. The addition of an addition south bound lane in 41st Avenue, south of Gross Road to Clares Street to accommodate a dedicated right turn lane at Clares Street. This portion of work will include re-striping all the lanes in the study area.
4. The construction of a center island median along 41st Avenue between Clares Street and Gross Road. This median will include two mid-block left turn/u-turn pockets, one in each direction. In addition, the no u-turn restriction on northbound 41st Avenue will be removed.
5. Bike lane addition, with CalTrans concurrence across the Highway 1 overpass as requested by the Bicycle Advisory Committee of the Santa Cruz County Regional Transportation Commission.
6. Pedestrian improvements at the intersections including new crosswalks and handicap access ramps.

Three of the housing opportunity sites are located on or near Capitola Road (#2, #3, #4) and one is located on lower 41st Avenue (#5). When development is proposed, traffic studies and CEQA review is carried out. If the development creates traffic impacts, then a mitigation measure/condition of approval is imposed. Traffic impact fees have been used along these corridors, which allow the development to proceed while ensuring that development's share of the impact is addressed. For example, in 2000 a 56-room hotel paid \$4,200 as an impact fee for

traffic impacts on 41st avenue. The extent of the fee is reasonable and does not act as a constraint to development. Most of 41st Avenue and Capitola Road, and the Highway One/41st Avenue interchange, are within the Capitola Redevelopment Agency project area limits, and redevelopment tax increment funds are available to assist with capital improvement projects, in addition to standard transportation funds.

Concern about water supply and water quality has increased over the last several years. Capitola is served by the Soquel Creek Water District. Technical studies indicate that the sustainable yield of the Soquel-Aptos area groundwater basins has already been exceeded, and that lowered groundwater levels along the coast create conditions that are conducive to seawater intrusion. The District is pursuing development of a supplemental source of water supply to meet projected demand, and is strongly encouraging water conservation efforts. Currently the District produces about 5,600 acre-feet per year to meet existing demand, and a supplemental water supply of 2,000 acre-feet per year is needed to meet anticipated demands under "buildout" conditions for lands within the district service area. The Water District Board recently adopted a "zero impact" policy that requires all new development to offset expected water demand (by a 1.2 to 1 ratio) by retrofitting existing property with low-water use fixtures. This policy is intended to minimize exacerbation of the existing overdraft until a new source of supply is developed.

Soquel Creek Water District Executive Director Laura Brown has stated that the District will be able to provide water service to Capitola's fair share housing allocation of 337 additional housing units, through its new 1.2 times retrofitting policy. Ms. Brown has indicated that no project has been denied a hookup by SCWD, and that a similar program in San Luis Obispo (but requiring 2:1 times retrofitting) took 10 years to reach "saturation" in terms of completion of retrofitting existing water fixtures. Redevelopment projects only require the difference between the old and new demands be offset.

IV. HOUSING ASSESSMENT SUMMARY

Housing Element law requires cities to meet both local and regional housing needs. Capitola's local housing needs are discussed in Sections II and III above. Capitola's regional housing needs are established by the Association of Monterey Area Governments (AMBAG), and are summarized below.

The Housing Plan, presented in Section VI that follows, will establish specific policies and programs to address these identified housing needs.

A. Local Housing Assessment

Local housing needs, as discussed in Section II, have been identified based on input of the Housing Advisory Committee, the ASR Housing Needs Assessment and Housing Conditions Survey, available Census data, Community Development and Building Department records, and information obtained from the Housing Authority. Based on this information, areas of local housing needs in Capitola include:

- More affordable housing for people who live and work in Capitola
- More housing for seniors and disabled
- More affordable opportunities for homeownership
- More affordable apartments
- More high density housing along City's transit corridors
- Need for second unit ordinance
- Reduced parking requirements to support affordable housing
- Minimize impacts of new housing on local traffic
- Preservation of City's mobile homes as affordable housing
- Preservation of "small cottage" character of single family neighborhoods
- Preservation of Capitola Gardens as affordable housing
- Monitoring and future maintenance of other federally, state and locally assisted units that will become at-risk in future planning periods
- Minor exterior repair assistance for single and multifamily housing

B. Regional Housing Assessment

State law requires jurisdictions to provide for their share of regional housing needs. As part of the Regional Housing Needs Assessment (RHNA), the Association of Monterey Area Governments (AMBAG) determines the housing growth needs by income category for cities within its jurisdiction, which includes the City of Capitola. RHNA determinations for the City of Capitola during this planning period (2000 through 2007) are presented in Table 13. As

illustrated in the Table, Capitola is required to provide adequate sites for the construction of 337 new dwelling units during this planning period. Of these new units, 82 should be affordable to very low income households, 41 to low income households, 63 to moderate income households, and 150 to above moderate income households.

Table 13
RHNA New Housing Construction Needs by Income Group for the City of Capitola

Income Category	Housing Unit Construction Need by Income Group	Housing Unit Construction Need by Income Group	Percent of Need by Income Group
	<u>Current Planning Period through 2007</u>	<u>Annual Need (2000- 2007)*</u>	
Very Low (0-50% County median income)	82	12	24%
Low (50-8-% County median income)	41	6	12%
Moderate (80-120% County median income)	63	9	19%
Above Moderate (over 120% County median income)	151	22	45%
Total Housing Unit Construction Need	337	48	100%
Note: The current 2007 Planning Period is calculated by AMBAG over a 7 year period, from 2000-2007. Source: AMBAG Adopted Regional Housing Needs Determinations (July, 2002)			

The City's RHNA determinations were adopted by AMBAG in July 2002, following an almost two-year process of meetings, analyses and reporting between AMBAG, State HCD, Capitola and other Santa Cruz and Monterey County cities. Despite this multi-jurisdictional effort, AMBAG's adopted figures neglected to consider data provided by Capitola regarding its development potential.

State law requires the distribution of regional housing needs to be based on available data, market demand for housing, employment opportunities, availability of suitable sites and public facilities, commuting patterns, type and tenure of housing need, and loss of units contained in assisted housing developments. Pursuant to these parameters, Capitola had calculated the amount of residential units that could reasonably be constructed during this planning period (2000-2007). Capitola calculated its available land, underutilized land likely to redevelop, financial resources available to assist housing construction, current Census and City building department data, traffic constraints and General Plan policies that new development not cause roadways to exceed level of service "C", and recent development trends. Based on these calculations, the original data developed during the housing element update and fair share allocation processes indicated that there would be a maximum capacity to build 239 units during the planning period, in addition to the 44 units that have already been built during this period.

AMBAG's allocation of 337 new units to Capitola is approximately 40% more than the originally estimated capacity of 239 units determined by Capitola. With an existing residential

density of 6,271 persons per square mile and little vacant land available, it will be challenging for Capitola to meet AMBAG's allocation of 337 new units during this planning period. In protest against this unreasonable allocation, the City of Capitola joined with the County of Santa Cruz and other Santa Cruz county cities in a lawsuit against AMBAG to appeal the RHNA allocations. The City expects that the court will hear the matter and a resolution will be obtained during early 2004.

However, the City has made an earnest effort to accommodate the 337-unit AMBAG allocation. The City has decided to allow residential development in the CC district, has included the city-owned McGregor site as a housing opportunity site, and therefore has now identified ample sites to meet the RHNA 337 number. The City has available sites that would accommodate from 454-554 dwelling units. The City's concern has been about the rate of housing construction, and whether it is realistic for the housing market to produce the housing units in the short term rather than the mid- to longer-term. In any event, the City has identified available housing opportunity sites that will be appropriately zoned and would be able to accommodate the fair share allocation of 337 units by 2007.

The City has included several key new housing element policies, including: a) Amend the "CC" (Community Commercial) zoning district to allow residential uses (currently residential uses are not allowed) at 25-30 units per acre; b) create a Mixed-Use Overlay District and/or Mixed Use Design Guidelines to allow 25-30 units per acre and establish development standards for mixed use development (while ensuring that the approach does not constrain existing flexibility of development standards in mixed use districts); c) amend the "CN" (Neighborhood Commercial) to establish a density range of 20-25 units per acre; d) create an Affordable Housing Overlay District that would provide about a 50% density bonus for redevelopment of existing underutilized multiple-family residential sites with redevelopment potential, to a density of between 15 and 25 units per acre; and e) direct city/RDA staff to work pro-actively with property owners of commercial and underutilized residential sites to develop needed housing types, in furtherance of meeting the RHND. The City Council has already directed staff to apply for a CDBG Planning and Technical Assistance grant to prepare concept plans and feasibility studies for 2 to 3 housing opportunity sites. With these new policies and zoning changes, Capitola has identified an inventory of appropriately zoned lands that could accommodate from 454-554 housing units. Table 14 identifies these key housing opportunity sites and summarized total housing development potential on these sites and other vacant and underutilized parcels. Capitola's goal for the 2000-2007 planning period is to meet the RHND of 337 units, within these available housing sites.

V. HOUSING OPPORTUNITIES

This section of the Housing Element evaluates the potential additional residential development that could occur in Capitola under the existing General Plan, along with existing and modified zoning classifications and regulations. Opportunities for energy conservation in residential development are reviewed. This section also identifies the financial resources available to support the provision of affordable housing in the community.

A. Availability of Sites for Housing

Market Rate Housing

As discussed above, the City of Capitola is nearly built-out. There are only 25 vacant single family parcels left in the City. Because of the strong market demand for housing in Capitola and surrounding communities, these 25 new single family units, when built, will only be affordable to households with incomes in the above-moderate category. There are other underutilized single-family, multiple-family and commercial sites that would accommodate new housing units as infill or redevelopment projects. There are also a few vacant multiple-family and commercial sites that can accommodate new housing construction. Table 14 and Appendix 1 present the inventory of vacant and underutilized lands that are or will be zoned to accommodate housing development.

Second Units

As part of the City's Housing Plan, shown in Section VI, below, the City has adopted a second unit ordinance that permits second units on all single family lots of 5,000 square feet or larger. The ordinance became effective in November 2003. For the first time, Capitola's zoning regulations allow legal second units to be created. The ordinance does not contain affordability restrictions and is in compliance with new State law regarding second units. Based on the historic level of interest from Capitola property owners for second units, and the strong housing market, the City estimates that the new second unit ordinance will yield 84 new units during this planning period. It is projected that, due to their inherent size limitations and siting characteristics, that one-half of these second units would likely be offered at rents affordable to low income households, and the other half would be at rents affordable to moderate income households.

New Opportunities for Housing Sites

The City of Capitola recognizes that, without an ambitious Housing Plan, only modest housing development beyond the 25 single family units and the 84 second units would likely occur during the remainder of this planning period. To augment its housing supply, the City has undertaken an exhaustive survey of vacant and underutilized properties (see Table 14 and Appendix One). From this survey, the City has identified available housing opportunity sites best suited for rezoning and/or development of new multifamily housing. City staff members have met with the property owners of the opportunity sites to emphasize the city's housing goals for these sites, and to gain concurrence with any proposed changes to the zoning on these parcels. The Capitola City Council held a public hearing on December 11, 2003 and directed staff to submit an application for CDBG Planning and Technical Assistance grant funds, for the purpose of funding a feasibility study of new construction housing projects on the housing

opportunity sites identified by the Housing Element. City staff is conducting outreach to attract 2 or 3 property owners to the study effort, with staff's preferred sites being the city's McGregor site, 600 Park Avenue site, and 1066 41st Avenue site. In addition, the Housing Plan, below, outlines the actions the City will undertake to facilitate these new housing opportunities during this planning period.

The following summarizes the City's efforts to encourage housing development. Please also refer to Table 14 for more information about these available housing opportunity sites:

EXISTING RESIDENTIAL PROPERTIES SUITABLE FOR MULTIPLE-FAMILY HOUSING DEVELOPMENT (UNDER AFFORDABLE HOUSING OVERLAY ZONE, PLANNED DEVELOPMENT DISTRICT AND/OR REZONING TO HIGHER DENSITY DISTRICT):

The City has identified two existing residentially-zoned properties that are appropriate sites for rezoning and development at a higher residential density, which may occur as a rezoning to a higher-density zoning classification, as a rezoning to the Planned Development District, and/or a rezoning to apply an Affordable Housing Overlay District. In order to secure the desired affordability of new housing construction at densities of 15 – 25 units per acre and/or a density bonus of 50%, the City's preferred mechanism is the Affordable Housing Overlay district, which would allow the increased density through negotiation and approval of a Development Agreement between the property owner and the City, with the agreement to address provision of a substantial level of affordable housing, and any phasing, temporary/permanent relocation, and replacement housing needs.

There are five housing opportunity sites located in the coastal zone: #2-- 4250-4310 Capitola Road; #4-- 1404-38th Avenue OW/OSH lot; #5-- 1066 41st Avenue; #6-- 600 Park Avenue; and #8-- City McGregor lot. Only the McGregor lot would require affirmative action by the Coastal Commission in order to accommodate residential use. Once Capitola pursues an LCP amendment to recognize the shift of the beach shuttle parking lot location (which is a housing element implementation activity), then the site would be able to accommodate multiple family residential units. Location in the coastal zone does not result in a substantively different application review process or timing for residential development projects.

600 Park Avenue. The first residential opportunity site is a 6.8-acre site located at 600 Park Avenue (Site #6 on Table 14). This site is currently zoned RM-LM (residential multi-family, low-medium density), which allows an average density of 10 units per acre (one dwelling unit per 4,400 square feet of lot area). The site is currently developed with 80 one-story, small market-rate apartments. Based on the configuration of the existing units on the site, its proximity to existing high density multifamily sites, and its location on a transit corridor, this site has been identified as suitable for rezoning with the Affordable Housing Overlay (AHO) District (and likely using the Planned Development (PD) approach to development) with the city supporting development at the RM-H level (which allows one dwelling unit per 2,200 square feet of lot area. The AHO zoning mechanism will allow for development of between 15 and 25 units per acre. The City expects to initiate rezoning of the site to AHO during 2004, and the property owner would be able to process a development project as a PD, to allow for creation of site-specific, flexible development standards such as height, setbacks and parking. A Development Agreement would address provision of affordable units and phasing..

Based on State HCD methodology for calculating residential development potential, $\frac{3}{4}$ of the site is used to calculate the yield of the site at the lower and upper ends of the density range. This methodology demonstrates an estimated development potential for this site of between 39 and 65 additional units, for a total unit count on site of 119 to 145 units (including replacement of the existing 80 units). Based on the 15-25 units per acre density range, this site is classified as meeting low income housing needs. In accordance with new housing element policies #3.b and 3.1, city and redevelopment agency staff will work with the property owner and developer(s) to target sources of affordable housing funds to achieve goals for number and affordability of housing units to be developed on the site. This development would need to be phased to minimize relocation of existing residents. Preliminary discussions between City staff and the property owner indicate that the owner is supportive of the opportunity to rezone the site according to the above-described scenario.

This site is located in the coastal zone, but is already developed, is not an oceanfront location, and has no environmentally sensitive habitat areas on site. Therefore, the only additional constraint the coastal zone location imposes on this site would be the one-for-one affordable housing replacement requirement for any units that would be proposed for demolition. This requirement actually supports the city's objective of ensuring that replacement and new units are affordable to low income households.

3606-3610 Capitola Road. The second residential rezoning opportunity is a 1.3-acre site located at 3606-3610 Capitola Road (Site #3 on Table 14). This site is currently zoned R-1, (residential single family), which allows a density of 10 single family dwellings per acre. The site is currently developed with two single-family units.

The property owner has submitted a preliminary application to the City for a development of 22 for-sale townhomes, with a requested rezoning to RM-M, RM-H or PD to make this project possible, within a density range of 15 –25 units per acre. The owners have not submitted a rezoning application to date, and the City will proceed with zoning to place the AHO district over the parcels. Even with the existing R-1 zoning, the Affordable Housing Overlay District will allow for the desired 15-25 unit per acre density range. At this density, the site would yield from 15 to 25 units. Preliminary discussions between city staff and the property owner indicate that the owner would be willing to offer 4 units for sale to qualified low income households in exchange for the zone change and to qualify for a density bonus, and the AHO district overlay would require a higher percentage of affordable housing. This site is within the City's Redevelopment Project area, therefore an increase in assessed property value resulting from such a development would also provide an increase in the amount of tax increment financing that goes to the City's Redevelopment Agency each year.

Comparable densities to that proposed for this site are found across the street at the Dakota Apartments, which contains 25 units on 1.3 acres, a project sponsored by the Capitola Redevelopment Agency. The site is located along a major arterial street that contains community and regional commercial uses, as well as a mix of residential uses. Multiple family zoning and development of this site is an appropriate land use at this location, and the site has no infrastructure or environmental constraints.

Other Vacant and Underutilized Residential Lands. In addition to these two residential opportunity sites, second units on R-1 lots, and development of vacant R-1 lots, there are other vacant and underutilized residential lands on which additional housing development can occur.

Table 14 and Appendix One show a potential for 35 units on vacant and underutilized multiple-family lands (with no zone change needed), and 10 units on underutilized R-1 lands. These numbers do not reflect any double-counting between categories. No zone changes are required for accommodate the unit potential on these sites. With rare exceptions, the sites do not involve environmental constraints, and they are not affected by infrastructure constraints. The City has been receiving a relatively high volume of applications for redevelopment or additional development on underutilized lands in the past year or two, and the trend is expected to continue due to the high demand and low supply of single family residential sites within Capitola.

VACANT NON-RESIDENTIAL PROPERTIES SUITABLE FOR RESIDENTIAL DEVELOPMENT (THROUGH AMENDMENT OF THE CC COMMUNITY COMMERCIAL DISTRICT TO ALLOW MULTIPLE-FAMILY RESIDENTIAL, OR A MIXED USE OVERLAY ZONE, OR THE AFFORDABLE HOUSING OVERLAYZONE):

In addition to these available residential sites, there are several non-residential properties that are appropriate sites for rezoning and residential and/or mixed use development at a higher densities. Presently, the CC Community Commercial zoning district does not allow residential uses. Under new housing element policy #3.a, the CC district will be amended by the City of Capitola during 2004 to allow multiple-family development and mixed use development. A Mixed Use Overlay District and/or Mixed Use Design Guidelines are other mechanisms that would be available.

835 Bay Avenue. This 4.5-acre site is known as the "Redtree/Grimes" site, and it is vacant land located at Bay Avenue/Highway One (Site #1 on Table 14). This site is currently zoned C-C, (Community Commercial), and that zoning district presently does not allow residential development. The amended CC district, and/or a Mixed Use Overlay Zone (or Mixed Use Design Guidelines), will allow multiple-family residential or mixed use development at densities of 25 to 30 units per acre. The property owner has indicated an interest in rezoning the property to allow for mixed use development. The City has prepared the amendment to the CC district, and this text amendment will be adopted in Spring 2004, which will supply the zoning needed to develop the site without waiting until a possible Mixed Use Overlay District or Mixed Use Design Guidelines are created.

Based on State HCD methodology for calculating residential development potential on mixed use/commercial sites, $\frac{1}{2}$ of the site is used to calculate the yield of the site at the lower and upper ends of the density range. This methodology demonstrates an estimated development potential for this site of between 56 and 67 units. Based on the 25-30 units per acre density range, this site is classified as meeting very low income housing needs. In accordance with new housing element policies #3.b and 3.1, city and redevelopment agency staff will work with the property owner and developer(s) to target sources of affordable housing funds to achieve goals for number and affordability of housing units to be developed on the site. The site is owned by Redtree Properties, an experienced developer with capacity to carry out higher density residential and mixed use developments.

This site has been the subject of previous environmental impact reports, and therefore environmental constraints related to the Soquel Creek riparian corridor have already been identified, and the developable area has been defined. The site is located adjacent to Highway One, near the Bay Avenue offramp, in a community and regional commercial area, and is appropriate for higher density residential and mixed use development. Previous environmental

studies have determined that infrastructure and public services are available to serve development, and mitigation measures that would apply to development of the site have been identified.

1404 38th Avenue. This 0.4-acre site is known as the "Ow/OSH Yard" site, and it is vacant land located on 38th Avenue in an area that contains a mix of commercial (CC and CN) and residential (RM-M and RM-H) uses (Site #4 on Table 14). This site is currently zoned C-C, (Community Commercial), which does not presently allow residential development. The amended CC district will allow multiple-family residential or mixed use development. The expected density range for this site is therefore from 25 to 30 units per acre.

Based on State HCD methodology for calculating residential development potential on mixed use/commercial sites, ½ of the site is used to calculate the yield of the site at the lower and upper ends of the density range. This methodology demonstrates an estimated development potential for this site of between 4 and 6 units. Based on the 25-30 units per acre density range, this site is classified as meeting both very low and low income housing needs (half very low and half low). Preliminary discussions between city staff and the property owner indicate that the owner would be willing to carry out mixed use development, and to develop the site with approximately 5 rental units. In accordance with new housing element policies #3.b and 3.1, city and redevelopment agency staff will work with the property owner and developer(s) to target sources of affordable housing funds to achieve goals for number and affordability of housing units to be developed. This site is located near another similar-sized site at 38th/Brommer, which was developed with 6 affordable housing units by Habitat for Humanity. The site is surrounded by community commercial uses and moderately- high density attached housing projects. This site may be an appropriate site for another Habitat for Humanity project, and that organization has expressed interest in carrying out another project in Capitola. The property owner is an experienced developer.

City McGregor Drive Site. The City of Capitola owns a vacant 4.5-acre site (Site #8 on Table 14). In past years, this was the site of the city-operated Beach & Village Shuttle Parking Lot, which operated on summer weekends. The site of the shuttle parking lot has shifted to a commercial/office parking lot located closer to the village and beach. The site is presently zoned Public Facilities/Visitor-Serving Overlay (PF/VS) to reflect the shuttle parking lot use. The site is located along key transportation corridors and within walking distance of New Brighton Beach. The site would be suitable for rezoning with the Affordable Housing Overlay Zone and developed as a Planned Development, to allow multiple family residential development at densities of 15 to 25 units per acre. The Capitola City Council added this site to the list of available housing opportunity sites. The City is holding public hearings during February and March 2004 to amend the VS Overlay District to allow for multiple-family residential development. If this occurs, the site can accommodate multiple family zoning even under VS zoning. Another approach available to the City is to pursue a different LCP amendment to formally recognize the shift of the beach shuttle parking lot location away from this McGregor site, and to apply the Affordable Housing Overlay District. These activities are implementation actions that will be completed by December 2004. This site is a preferred site to be studied with the proceeds of a CDBG PTA grant that will be requested in Spring 2004.

Based on State HCD methodology for calculating residential development potential on residential sites, ¾ of the site is used to calculate the yield of the site at the lower and upper ends of the density range. This methodology demonstrates an estimated development potential for

this site of between 51 and 85 units. Based on the 15-25 units per acre density range, this site is classified as meeting both low and moderate income housing needs (half low and half moderate). In accordance with new housing element policies #3.b and 3.1, city and redevelopment agency staff will work with the City of Capitola and Capitola Redevelopment Agency to target sources of affordable housing funds to achieve goals for number and affordability of housing units to be developed.

42nd Avenue/Capitola Road. One of the housing opportunity sites (Site #7 on Table 14) has already been approved for a mixed use project. This 0.28-acre site is known as the Grau property, and is located within a neighborhood commercial zone (C-N). The project consists of commercial space on the first floor and 4 rental units on the second floor. This project is currently under construction and will be occupied during 2004. The developer indicated to city staff in January 2004 that rents for the units will be within the range that is affordable to moderate income households. Such two-story mixed-use developments dating back 30 to 40 years are found in numerous locations along the nearby 41st Avenue and Portola corridors, such as the El Rancho Shopping Center, the Eller Project, and the Stagnaro redevelopment project currently under construction at the corner of 41st Avenue and Portola. There are also numerous historic structures in the Capitola Village and along Capitola Avenue with residences above commercial space.

UNDERUTILIZED COMMERCIAL PROPERTIES SUITABLE FOR RESIDENTIAL DEVELOPMENT (THROUGH AMENDMENT OF THE CC COMMUNITY COMMERCIAL DISTRICT TO ALLOW MULTIPLE-FAMILY RESIDENTIAL, OR A MIXED USE OVERLAY ZONE, OR THE AFFORDABLE HOUSING OVERLAY ZONE):

In addition to these available *vacant* non-residential sites, there are several *underutilized* non-residential properties that are appropriate sites for rezoning and/or redevelopment with residential and/or mixed uses at a higher densities.

1066 41st Avenue. This 1.9-acre site is known as the "Fallis/Used Cars" site (Site #5 on Table 14). . A used car sales lot recently vacated the site, and, and currently only a portion of it is used for an off-site parking lot that is leased by an adjacent fitness club. There are residential land uses on two sides of the property, commercial uses on the other two sides, and it is located on the 41st Avenue transportation corridor. This site is currently zoned C-C, (Community Commercial), which does not presently allow residential development. The amended CC district will allow multiple-family residential or mixed use development. The expected density range for this site is therefore from 20 to 30 units per acre. The City has prepared the amendment to the CC district, and this text amendment will be adopted in Spring 2004, which will supply the zoning needed to develop.

Preliminary discussions between city staff and the property owner indicate that the owner would be willing to develop the site with multiple family residential or a mixed use development. Based on State HCD methodology for calculating residential development potential on mixed use/commercial sites, ½ of the site is used to calculate the yield of the site at the lower and upper ends of the density range. This methodology demonstrates an estimated development potential for this site of between 19 and 28 units. Based on the 20-30 units per acre density range, this site is classified as meeting both very low and low income housing needs (half very low and half low). In accordance with new housing element policies #3.b and 3.1, city and redevelopment

agency staff will work with the property owner and developer(s) to target sources of affordable housing funds to achieve goals for number and affordability of housing units to be developed.

4250-4310 Capitola Road. This 1.7-acre site (Site #2 on Table 14) is known as the "Anderson/Dharma's" site, and it is a portion of an underutilized and aging neighborhood shopping center with an excess of parking lot area. This site is located on a key transportation corridor, near the 41st Avenue transit center, and in an area that contains a mix of commercial (CC, CN and Office) and residential (R-1, RM-LM, and RM-M) uses. This site is currently zoned C-N, which does allow mixed use and multiple-family residential development. The site could also be rezoned to a Mixed Use Overlay Zone, although that is not necessary for development of multiple-family and mixed use development on this site. The expected density range for this site is therefore from 20 to 30 units per acre.

Based on State HCD methodology for calculating residential development potential on mixed use/commercial sites, ½ of the site is used to calculate the yield of the site at the lower and upper ends of the density range. This methodology demonstrates an estimated development potential for this site of between 17 and 25 units. Based on the 20-30 units per acre density range, this site is classified as meeting both very low and low income housing needs (half very low and half low). In accordance with new housing element policies #3.b and 3.1, city and redevelopment agency staff will work with property owners and developers to target sources of affordable housing funds to achieve goals for number and affordability of housing units to be developed, as an addition to the existing center or as part of a redevelopment of the site.

Other Underutilized Non-Residential Lands. There are other underutilized non-residential lands on which housing development can occur. Table 14 and Appendix One show a potential for 41 units on underutilized commercial lands, with no zone change needed. These numbers do not reflect any double-counting between categories. Table 14, following the housing sites map (Figure 14), provides detail regarding the inventory of available housing sites by "site name", address, existing zoning, proposed zoning, acreage, and estimated range of new units by affordability level, as identified by the following income-to-density correlation.

LOW AND MODERATE INCOME HOUSING UNITS LOCATED IN THE COASTAL ZONE THAT HAVE BEEN DEMOLISHED (SINCE 1985) AND REPLACED

During the previous planning period, there were no low and moderate income dwelling units that were demolished. Demolitions consisted of market-rate single family units which were then replaced by a new market-rate single family unit.

RHND Allocation	Income Category	HCD Income-Density Range	Capitola Zoning Density Range	Capitola Zoning Districts Density Ranges
82	Very Low Units	25-35 du/ac	25-30 du/ac	CC Amend & Mixed Use Overlay
41	Low Units	18-24 du/ac	15-25 du/ac	CN; CR; Aff Hsg Overlay; RM-H
63	Moderate Units	13-18 du/ac	10-15 du/ac	RM-M; RM-LM
151	Above Moderate	< 13 du/ac	5-10 du/ac	R-1
337	TOTAL			

Figure 14. Map of Key Housing Opportunity Sites (Refer to Table 14)

Table 14: Available Housing Sites

Site	Address	Proposed Zone	Current Zone	Allowable Units/Acre Proposed Zone	Gross Site Acreage	Estimated Range of Potential Units	Projected Affordability Level (based on density)
#1 "Redtree/Grimes"	835 Bay Ave.	CC amend	CC	25-30	4.5	4.5/2=2.25. x 25 = 56; x 30 = 67. 56-67	Very Low (100%)
#2 "Anderson/Dharma's"	4250-4310 Capitola Rd.	CN	CN	20-30	1.7	1.7/2=0.85. x 20 = 17; x 30 = 25. 17-25	Very Low (100%)
#3 "Pecora"	3610-3606 Capitola Rd.	Affordable HsgOverlay	R-1	15-25	1.3	1.3x.75=1. x 15 = 15; x 25 = 25. 15-25	Low (25%) Mod (75%)
#4 "Ow/OSH Yard"	1404 38 th Ave.	CC amend,	CC	20-30	0.4	0.4/2=0.2. x 20 = 4; x 30 = 6. 4-6	Very Low (50%) Low (50%)
#5 "Fallis/Used Cars"	1066 41 st Ave	CC amend	CC	20-30	1.9	1.9/2=0.95. x 20 = 19; x 30 = 28. 19-28	Very Low (50%) Low (50%)
#6 "Newman Apmts"	600 Park Ave.	Affordable HsgOvrly	RM-LM	15-25	6.8 total; 3.4 acres available	3.4x.75=2.6. x 15 = 39 x 25 = 65. 39-65	Low (100%)
#7 "Grau Rentals"	42 nd Ave/ Capitola Rd.	No Change	CN	15-25	0.28	Approved 4	Mod (100%)
#8 "City's McGregor Lot"	McGregor Drive	Affordable Housing Overlay	PF/VS	15-25	4.50	4.5x.75=3.4. x 15 = 51; x 25 = 85. 51-85	Low (50%) Mod (50%)
Second units On R-1 lots	Various	No Change	R-1	5-10	n/a	84	Low (50%) Mod (50%)
Vacant & Underutilized Parcels in R-1 Districts	Various	No Change	R-1	5-10	n/a	35	Above Mod (100%)
Vacant & Underutilized Multi-Family Parcels	Various	No Change	RM- LM/M	15	n/a	35	Mod (100%)
Vacant & Underutilized Commercial	Various	No Change	CC, CN CR, CV	20-25	2.6	41	Low (100%)
Building Permits Issued 2000-2003						44	Above Mod (100%)
(For mixed use/commercial sites, 1/2 of site acreage included; for residential opportunity sites, 3/4 of site acreage included in calculation; range shows calculations at upper & lower density levels on sites #1-#8. Refer to Appendix for chart of unit potential on other vacant and underutilized single-family, multiple-family and commercial lands. Sites have not been double-counted.) TOTAL						454-554 du "buildout"; 337 by 2007	337 by 2007: VeryLow: 84-109 Low: 163-213 Moderate 118-143 AboveMod: 79

1. Comparison of Available Sites with RHNA

As indicated in Table 13, above, the regional new housing construction need (RHNA) for Capitola is 337 dwelling units, ranging in affordability for households from very low income to above moderate income. As indicated in Table 14, above, the City's available sites, with some rezoning and other strategies to promote affordable multifamily development, show capacity to meet this projected need for 337 units during the planning period, within housing types ranging from subsidized multi-family apartments to market-rate single family homes.

Table 15, below, demonstrates how the City's efforts to provide adequate housing sites compares to its RHNA allocation. Based on State HCD methodology for projecting residential development potential on residential sites and non-residential sites, and by calculating yield at the lower and upper ends of the applicable density range, and assigning the sites to expected income group by the allowable densities of the zoning districts, the available sites could accommodate from 454-554 new housing units, consisting of between 84 and 109 very low income units, 163 to 213 low income units, 118 to 213 moderate income units, and 79 above-moderate units. Within this "buildout" capacity, which would not be expected to be achieved until approximately the year 2030, the City of Capitola housing program goal is to accommodate the RHNA allocation of 337 units by 2007. New housing element policies #3.b and 3.1, call for city and redevelopment agency staff to work with property owners to target sources of affordable housing funds to achieve goals for number and affordability of housing units to be developed. Table 15 shows that the sites will meet the RHNA requirement for very low, low, and moderate-income housing, but be 72 units below the above-moderate income allocation. However, the sum of the City's available sites in all income ranges demonstrates ability to meet the overall allocation of 337 dwelling units.

Table 15
Comparison of Available Housing Sites to RHNA by Income Category

Income Category	RHNA	AVAILABLE HOUSING SITES
Very Low (0-50% of AMI)	82	84-109
Low (50-80-% of AMI)	41	163-213
Moderate (80-120% of AMI)	63	118-143
Above Moderate (over 120% of AMI)	151	79
Total Housing Units	186 du – Affordable	du – Affordable
	337 units Total RHNA	375 – 475 du “buildout”
	337 units Projected	du total capacity 454 - 554 du “buildout”
		337 units Projected within above unit ranges by income level during the planning period

2. Availability of Public Services and Facilities

Public facilities are generally available to accommodate development throughout Capitola. Potential impacts to traffic levels of service will be assessed as part of the review processes for proposed developments. Where appropriate, projects will be conditioned to implement measures to mitigate traffic impacts. The city's studies of congested transportation corridors will identify needed improvements and/or development fees that can be imposed as conditions of approval. As mentioned earlier, the City's strategy is to locate higher density housing and mixed use developments along transit corridors. All of the key housing opportunity sites identified are located directly on existing bus routes, and four of them are also in close proximity to the regional transit center and Capitola Mall. Locating these developments in these areas should increase transit ridership along these routes and among the occupants of the new housing, thereby replacing some of the anticipated car trips with bus rides or walking trips.

Although water supply and water quality issues have become of greater concern over the past few years, the Water District is working to identify a new source of supply, and is encouraging and requiring water conservation efforts. In the meantime, the Water District Board has adopted a "zero impact" policy that requires all new development to offset expected water demand (by a 1.2 to 1 ratio) by retrofitting existing property with low-water use fixtures, in order to minimize exacerbation of the existing overdraft until the time that a new source of supply is developed.

3. Removal of Governmental Constraints

As discussed under Section III.B. above, the City Zoning Code provides ample opportunity for residential development of varying types and densities. The City also endeavors to provide expedited processing of all residential development applications. Current City land use and development processes therefore have not been considered a constraint to housing development.

However, in order to meet the RHNA, the City has identified two new housing element policies (Policy 3.a and Policy 3.b), intended to ensure both that the number of units can be accommodated, and the affordability of those units will match housing needs by income group.

Policy 3.a calls for amendment of the CC Community Commercial zoning district to allow multiple-family residential development. A Mixed Use Overlay Zone or Mixed Use Design Guidelines are a possible additional mechanisms that would not be needed for the sites to accommodate housing, but which the City intends to explore in the planning period. Mixed residential/commercial use is principally permitted in the CN district. There is currently no minimum lot area per unit, and no maximum lot coverage. The CN district currently allows for multiple family residential development with a conditional use permit. The new policy also calls for residential developments in the CN Neighborhood Commercial district to develop within a density range of 20 to 30 units per acre.

Policy 3.b calls for creation of an Affordable Housing Overlay (AHO) District, to be applied to residential sites and the city's McGregor site, to establish a density range of 15 to 25 units per acre (about a 50% density bonus). The AHO district would allow increased density through negotiation and approval of a development agreement with the City, with the Agreement to

address provision of a substantial level of affordable housing. For redevelopment of underutilized sites, the Agreements would address any phasing, temporary/permanent relocation, and replacement housing needs. Additionally, new housing element *Policies #3.b and 3.1* call for city and redevelopment agency staff to work with property owners to target sources of affordable housing funds to achieve goals for number and affordability of housing units to be developed. The City Council has directed preparation of a CDBG PTA grant application for funding to prepare concept plans and feasibility studies for housing developments on 2-3 of the opportunity sites.

Another zoning modification to be pursued is to allow and encourage large and small family child care homes, and child care centers, in all residential zoning districts as principally permitted uses, with reasonable compatibility standards. Child care centers would also be allowed within commercial districts.

B. Opportunities for Energy Conservation

Under current law, this Capitola Housing Element must include analysis of opportunities for energy conservation with respect to residential development. Government Code Section 65583(a)(7). The Legislature in 1974 created the California Energy Commission to deal with the issue of energy conservation. The Commission in 1977 adopted conservation standards for new buildings. The Legislature directed the Commission to periodically improve the standards to account for state-of-the-art energy efficient building design. The Commission has adopted revised energy standards for new residential buildings. The revised energy conservation standards for new residential buildings have been placed in Title 24 of the California Administrative code. The new standards apply to all new residential buildings (and additions to residential buildings) except hotels, motels, and buildings with four or more habitable stories and hotels. The regulations specify energy saving design for walls, ceilings and floor installations, as well as heating and cooling equipment and systems, gas cooling devices, conservation standards and the use of nondepleting energy sources, such as solar energy or wind power.

In relation to new residential development, and especially affordable housing, construction of an energy efficient building does add to the original production costs of ownership and rental housing. Over time, however, the housing with energy conservation features should have reduced occupancy costs because the consumption of fuel and electricity is decreased. This means the monthly housing costs may be equal to or less than what they otherwise would have been if no energy conservation devices were incorporated in the new residential buildings. Reduced energy consumption in new residential structures is one way of achieving affordable housing costs when those costs are measured in monthly carrying costs as contrasted to original sales price or production costs.

Strategies a developer can undertake to achieve energy efficient construction include:

- Locating the structure on the northern portion of the sunniest area on the site.
- Designing the structure to admit the maximum amount of sunlight into the building and to reduce exposure to extreme weather conditions.

- Locating indoor areas of maximum usage along the south face of the building and placing corridors, closets, laundry rooms, power core, and garages along the north face to the building to serve as a buffer between heated spaces the colder north face.
- Making the main entrance a small, enclosed space that creates an air lock between the building and its exterior; orienting the entrance away from prevailing winds; or using a windbreak to reduce the wind velocity against the entrance.
- Locating window openings to the south and keeping east, west and north windows small, recessed, and double-glazed.

These and other potential energy efficient opportunities are evaluated and promoted by the City during the site plan review process.

C. Financial Resources

There are a variety of potential funding sources available to support affordable housing in the City of Capitola. They include the following:

1. HOME Funds

The Home Investment Partnership (HOME) Program is a federal program, created as a result of the National Housing Affordability Act of 1990. Under the HOME program, smaller jurisdictions with population under 50,000 are allowed to apply for competitive grants on an annual basis through the California Department of Housing and Urban Development. Localities must match HOME funds with 25% of funds from non-federal sources.

HOME funding is provided to jurisdictions to assist either rental housing or home ownership through acquisition, construction, reconstruction, and/or rehabilitation of affordable housing. Also possible is tenant-based rental assistance, property acquisition, site improvements, and other expenses related to the provision of affordable housing and for projects that serve a group identified as having a special need related to housing. The City has used HOME funds to assist with the financing of numerous housing projects, including: Dakota Apartments, Brookvale Terrace Mobile Home Park Resident Acquisition, Mobilehome Rehabilitation program).

2. Community Development Block Grant Program (CDBG)

Through the federal CDBG program, HUD provides funding for a range of community development activities. Under the CDBG guidelines, smaller jurisdictions with less than 50,000 in population are allowed to apply for competitive grants on an annual basis through the California Department of Housing and Urban Development. CDBG grants are awarded for housing activities, including acquisition, rehabilitation, homebuyer assistance, economic development, homeless services and public services. CDBG funds are subject to certain restrictions and generally cannot be used for new housing construction. CDBG grants primarily benefit households with incomes not exceeding 80% of the county median family income.

The City has applied for and received a number of CDBG grants in the past, and these funds have provided partial funding for the infrastructure development for a 6-unit Habitat for Humanity project, the Housing Needs Assessment/Housing Conditions Survey, disabled access retrofits at local parks, and homebuyer assistance to income-eligible Loma Vista Mobile Home Park residents to purchase their membership share in the homeowner's cooperative.

In February 2004 the City of Capitola submitted a request for a 2-year, \$1 million grant to assist with rehabilitation and preservation of affordable housing units at the 90-unit Silvercrest Apartments project. For Spring 2004, the City Council has directed preparation and submittal of a CDBG \$35,000 PTA grant application for the purpose of preparing concept plans and feasibility studies of 2 to 3 housing opportunity sites.

3. Section 108 Program

Section 108 is the loan guarantee provision of the CDBG program. This provision provides communities with a source of financing for a variety of housing and economic development activities. All rules and requirements of the CDBG program apply, and therefore all projects and activities must principally benefit low and moderate income persons, aid in the elimination or prevention of blight, or meet urgent needs of the community.

Monies received per the Section 108 loan guarantee program are limited to no more than five times the applicant's most recently approved CDBG amount, less prior Section 108 commitments. Activities eligible for these funds include: economic development activities eligible under CDBG; acquisition of real property; rehabilitation of publicly owned property; housing rehabilitation eligible under CDBG; construction, reconstruction or installation of public facilities; related relocation, clearance or installation of public facilities; payment of interest on the guaranteed loan and issuance costs of public offerings; debt service reserves; and public works and site improvements.

Section 108 loans are secured and repaid by pledges of future and current CDBG funds. Additional security requirements may also be imposed on a case by case basis.

4. Section 8 Housing Choice Voucher Program

The federal Section 8 program provides rental assistance to low-income households. With a Section 8 voucher, households pay 30-40% of their income towards housing and the Housing Authority pays the rest, up to certain maximum rent limits. The vouchers are paid directly to the landlords. The Housing Authority inspects its tenants' units annually to ensure that health and safety standards are met. This program also allows households to use their vouchers toward the purchase of a home.

The Housing Authority manages approximately 141 Section 8 vouchers in the City of Capitola, including the vouchers used by tenants of Capitola Gardens.

5. Section 202/811 Housing for Elderly or Disabled Housing

Under this federally administered program, direct loans are made to eligible, private nonprofit organization and consumer operative sponsors to finance development of rental or cooperative housing facilities for occupancy by elderly or disabled persons. The interest rates on such loans are determined annually. Section 8 funds are made available for all of the Section 202 units for the elderly. Rental assistance for 100% of the units for disabled persons has also recently been made available. Section 811 can be used to develop group homes, independent living facilities, and intermediate care facilities. The Dakota Apartments 25-unit project on Clares Street used the HUD 811 funding source.

Private, nonprofit sponsors may qualify for Section 202 no interest capital financing loans. Households of one or more persons, the head of which is at least 62 years old or is a qualified non-elderly disabled person between the ages of 18 and 62, are eligible to live in these units. The Pines is an existing Section 202 project in the City.

6. California Housing Finance Agency (CHFA)

CHFA is an agency of the state of California that administers programs that provide below market interest rate mortgage capital through the sale of tax-exempt notes and bonds. CHFA sells tax-exempt Mortgage Revenue Bonds to provide below market rate financing through approved private lenders to first-time homebuyers for the purchase of new or existing homes. The program operates through participating lenders who originate loans for CHFA purchase.

CHFA assists nonprofit housing development corporations that acquire land, provide building plans, and package loans for self-help housing. Families, under the supervision of nonprofit corporations, provide the majority of the construction labor. CHFA makes commitments to self-help corporations for low-interest mortgages and provides credit enhancements to lenders who provide construction financing and preferential interest rates.

CHFA also operates a Multifamily Rental Housing Mortgage Loan Program. This program finances the construction or substantial rehabilitation of projects containing 20 or more units. 20% of the units in a project must be set aside for low income tenants at affordable rents for the greater of 15 years or as long as the mortgage is outstanding.

A new program of CHFA is the HELP Program. This program provides low interest loan assistance to local governments to assist in the provision of affordable housing. Terms of the low interest loans are 3% simple interest per annum for up to ten years, with a maximum loan amount of \$2,000,000 per project.

7. Low Income Housing Tax Credit (LIHTC) Program

This State program provides for federal tax credits for private developers and investors that agree to set aside all or a portion of their units for low income households and the elderly for no less than 15 years. A minimum of 20% of the units must be made available to families whose income is less than 50% of the County median income or 40% of the units must be made

available to families whose income is up to 80% of the median. Developers and investors must apply for an allocation of housing units from the State Allocation Committee, administered by the Tax Credit Allocation Committee.

8. Multifamily Mortgage Revenue Bonds

Multifamily Mortgage Revenue Bonds, as discussed above, are used to finance construction and mortgage loans, as well as capital improvements for multifamily housing. Federal law requires 20% of the units in an assisted project to be reserved for lower income households, whose income does not exceed 80% of the median household income for the County. Funding for this program is administered by the California Debt Limit allocation committee and has been extended indefinitely.

9. Mortgage Credit Certificate Program (MCC)

This is a program sponsored by the Housing Authority of Santa Cruz. It provides tax credits to income eligible homebuyers to reduce the amount of federal income tax that borrowers pay, thus giving them more available income to qualify and pay for a mortgage loan.

The Housing Authority has issued approximately 50 MCCs to households residing in Capitola.

10. Redevelopment Agency Low-Moderate Income Housing Fund

One of the most significant resources available to Capitola is the Low-Moderate Income Housing Fund (LMIHF) from the City's Redevelopment Agency. These funds originate from Redevelopment Tax Increment monies. In accordance with State law, 20% of all Redevelopment tax increment monies are allocated for the improvement or provision of housing for low and moderate income households. Capitola's Redevelopment Agency expects to generate approximately \$400,000 per year in the LMIHF. The City has used these funds to finance a wide array of housing programs including: the 25 unit Dakota Apartments housing project; the 6 unit Habitat for Humanity project; mobile home park rehabilitation and acquisition projects, housing rehabilitation projects, and other ongoing programs.

The Capitola Redevelopment Agency has released a Draft 2004 Implementation Plan and Housing Strategy. That document reviews the projects and programs that received about \$4.5 million in housing set-aside funds over the 1994-2004 timeframe. It also provides a 10-year program for use of an estimated \$5 million redevelopment housing set-aside funds. In addition to funding the RDA's on-going rental assistance, housing rehabilitation and first time homebuyer programs (through the RDA's contract for services with the Housing Authority), the majority of the funding will be used to assist a targeted three new construction affordable housing projects: 1) all age rental housing project; 2) first-time homebuyer family/all-age housing project; and 3) transit-oriented development all-age housing project.

11. Article XXXIV

Article XXXIV referendum approval allows public agency participation in the development or construction of housing for lower-income households, especially rental housing. In 1978, an Article XXXIV referendum was approved by Capitola voters for 25 units. The Grace Street Apartments used 12 of the 25 original unit authority, leaving a remaining balance of 13 units. In November 1991, the Capitola City Council approved putting Article XXXIV referendum approval for an additional 25 units on the April 1992 ballot. These 25 units in combination with the 13 remaining units resulted in City authority for 38 units total. The Dakota Apartments development utilized 25 of the 38-unit authority, leaving a remaining balance of 13 units.

12. Proposition 46 Funds

Proposition 46, the Housing and Emergency Shelter Trust Fund Act of 2002, was a statewide housing bond initiative passed by the voters in November of 2002 which authorized \$2.1 billion in bond financing for various housing programs administered by HCD and CHFA. Eight different funds were formed from this bond issuance, including the Housing Rehabilitation Loan Fund, the Preservation Opportunity Fund, the Emergency Housing and Assistance Fund, and the School Facilities Fee Assistance Fund, among others. These funds will finance programs such as the local housing trust fund matching grant program, accessibility grants for renters, code enforcement, multifamily acquisition, rehabilitation, construction or conversion; and others for the next five years. The City and non-profit housing developers can apply to the appropriate funding programs in order to subsidize some of the affordable housing to be built in Capitola.

D. Agencies Involved in Housing in Capitola

City efforts to provide affordable housing opportunities are assisted by the following agencies:

- **Housing Authority:** The Housing Authority of the County of Santa Cruz is the primary agency providing affordable housing opportunities in Capitola. The Housing Authority manages the Grace Street apartments, administers the Section 8 rental subsidy program and operates the Mortgage Credit Certificate program for Capitola. Through a contract with the Capitola Redevelopment Agency, funded by redevelopment housing set-aside and other funding sources as may be available, the Housing Authority also administers the City's First-time Homebuyer Program, Housing Rehabilitation Program, and Security Deposit Program. Under contract to the Capitola RDA, the Housing Authority assisted Capitola with the resident acquisition of Loma Vista Mobilehome Park, and has completed several other mobilehome resident acquisition feasibility studies. For 2004, it is expected that the Housing Authority will assist with resident acquisition of Wharf Road Manor mobilehome park, should that park be successful in securing a requested \$1 million in MPROP funds.
- **Habitat for Humanity and other Non-Profit Housing Developers:** Habitat for Humanity Santa Cruz County has worked with Capitola to develop six units of very low income housing for families. Habitat remains interested in developing new units in the future. The 1404 38th Avenue "Ow/OSH Yard" 0.4 acre site appears to be particularly suitable for a

Habitat housing development. Other non-profit housing developers that have also been active in Santa Cruz County include Mercy Housing, Mid-Peninsula Housing Corporation, and South County Housing.

The Salvation Army is another non-profit housing provider, which presently owns and operates the 90-unit Silvercrest Apartments. On January 22, 2004 the Capitola City Council authorized submittal of a \$1 million application to the CDBG program, and also the Capitola Redevelopment Agency took action committing another \$1 million to the Silvercrest Apartment Rehabilitation project. City/RDA staff is working closely with the Salvation Army on a significant rehabilitation of the facility, which will result in a shift of the units from "market" or "not formally rent restricted facility that could be sold for appraised highest and best use value -to a deed-restricted affordable housing facility.

- **Senior Network Housing Program:** The Senior Network Housing Program provides some housing-related services to elderly individuals and households. The City of Capitola contracts for provision of these services to city residents through a \$2,400 contract under the Community/Human Services Program. The senior network program has been active in matching seniors in shared housing arrangements. In addition, staff also maintains an inventory of senior housing developments and provides information on location, eligibility requirements, affordability and level of services offered. There are ten contracts for services oriented toward seniors under the city's Community/Human Services Program, with 2003-04 funding that totals \$164,500.
- **Fair Housing and Tenant/Landlord Issues:** Fair housing information and tenant-landlord dispute mediation is available through California Rural Legal Assistance as well as the Office of Consumer Affairs in the County District Attorney's office. Information and resources are provided to both tenants and landlords regarding their rights and responsibilities. The City of Capitola contracts for provision of these services to city residents through a \$3,500 contract with California Rural Legal Assistance under the Community/Human Services Program.
- **Community Action Board (CAB):** Under a contract with the Capitola Redevelopment Agency, CAB administers the Emergency Housing Assistance Program on behalf of the City. This program designed to prevent homelessness and is funded by the Low-Moderate Income Housing Fund and serves residents of Capitola. The program provides one-time financial assistance to households faced with an unexpected expense or loss of income due to unemployment or a medical emergency that leaves them unable to pay their regular housing cost, such as rent or mortgage.

VI. HOUSING PLAN

Chapters II through V establish the housing needs, opportunities, and constraints in Capitola. The Housing Plan evaluates the accomplishments of the last adopted housing element, and then presents the City's 2007 Housing Plan. The Plan sets forth the goals, policies and programs developed to address Capitola's identified housing needs.

A. Review of Housing Element Performance to Date

State Housing Element law requires communities to assess the achievements under adopted housing programs as part of their housing element update. These results should be quantified where possible, but may be qualitative where necessary. These results need to be compared with what was projected or planned in the previous element. Where significant shortfalls exist between what was planned and what was achieved, the reasons for such difference must be discussed.

1. Progress toward Implementing the 1993 Housing Element Programs

The 1993 Capitola Housing Element established programs to address the following primary housing goals:

- Maintain the existing housing stock and protect neighborhoods
- Maintain existing affordable housing
- Encourage development of additional affordable housing through construction of new units or rehabilitation of existing units
- Encourage a variety of housing types, prices and tenure
- Encourage the provision of housing for households with special needs.

Since adoption of the 1993 Housing Element, the City has been active in supporting the development of affordable housing and maintaining its existing affordable housing stock. Accomplishments to date are summarized below, with locally controlled City/RDA financing shown in parentheses:

- 145 new units have been constructed, 31 of which were developed with assistance from the City and are affordable to very low income households:
 - ◇ 25 new very low and low income units for persons with disabilities, constructed on Clares Street (\$1,206,499 Redevelopment Agency Low-Moderate Income Housing Fund or "LMIHF"; \$377,000 HOME Reuse Funds)
 - ◇ 6 new very low income ownership units constructed by Habitat for Humanity at 38th and Brommer Streets (\$275,000 LMIHF; \$419,168 CDBG)
 - ◇ 114 new above-moderate income units constructed on vacant and underutilized residential lots

- 38 mobile homes (low-income owners) rehabilitated through the Redevelopment Agency's "Housing Rehabilitation Program" (\$356,000 LMIHF; \$134,000 HOME Program Re-use Funds)
- 5 lower income households assisted through the City First Time Homeowner Program (\$121,400 HOME; \$34,000 LMIHF; another \$268,000 LMIHF/HOME funds available this fiscal year)
- 12 very low income units rehabilitated and preserved at Grace Street Apartments (\$200,000 LMIHF)
- 18 residents assisted with acquisition of spaces in subdivided mobile home park (Brookvale Terrace) to provide homeownership opportunities for low income households (\$920,708 HOME; Brace for the Quake funds)
- Resident acquisition of a 90-unit mobile home park (Loma Vista Estates) to provide homeownership opportunities for low to moderate income households (\$1,064,325 LMIHF; \$285,000 CDBG grant)
- Pacific Cove Mobilehome Park Resident Acquisition Feasibility Study (\$35,000 CDBG)
- Wharf Road and Loma Vista Mobilehome Parks Resident Acquisition Feasibility Studies (\$109,979 LMIHF)
- Emergency Housing Assistance Program - provides one-time financial assistance for rent or mortgage payments to prevent homelessness for very low income households (\$40,000 annually from LMIHF)
- Santa Cruz Housing Authority Security Deposit/Last Month's Rent Program (approximately \$15,000 per year)
- Approximately 141 very low and low income households receive Section 8 Housing vouchers
- 50 lower income households assisted through the County Housing Authority Mortgage Credit Certificate Program, which provides tax credits to income eligible homebuyers
- Housing Needs Assessment/Housing Conditions Survey (\$35,000 CDBG)
- Adoption of an Article XXXIV referendum approval, allowing the Redevelopment Agency to participate in the development or construction of housing for lower-income households, especially rental housing. This referendum was applied toward construction of the Dakota Apartments development and previously, the Grace Street development.
- Continued implementation of the City Rent Stabilization Ordinance for mobile home parks. The Rent Stabilization Ordinance protects mobile home park residents from unreasonable increases in space rents. The City has and continues to uphold the Rent Stabilization Ordinance against legal challenges. During the past five years, the City has expended approximately \$125,000 on legal services to protect the Ordinance, and in 2003-04 there is \$70,000 budgeted for use in defending mobilehome rent control.
- Continued implementation of the City Condominium Conversion Ordinance. The Condominium Conversion Ordinance regulates the conversion of apartments to condominiums by requiring that 35% of the units be made available to low and moderate

income households. During the prior planning period, no apartment units were converted to condominiums, continuing the effectiveness of the conversion ordinance since the time it was adopted.

Table 16, below, presents these accomplishments against the objectives established in the 1993 Housing Element. In all cases, the City made strong progress toward meeting its objectives. Although only 145 units of the 336-unit goal were built, the City actively promoted the construction of affordable units and directly subsidized the construction of the Habitat for Humanity and Dakota Apartments projects. The City's efforts toward rehabilitation and preservation of affordable units exceeded its established goals.

In addition, the City provides annual community grants and other financial support from its General Fund to a number of local housing and homeless services providers and special needs service organizations. These include:

- Above the Line Group Home Society (approximately \$2,700/year since 1998)
- Central Coast Center for Independent Living (approximately \$13,700/year since 1998)
- Families in Transition (approximately \$2,200/year since 1998)
- Homeless Services Center (approximately \$2,200/year since 1998)
- Santa Cruz Aids Project (approximately \$7,700/year since 1998)
- Winter Shelter Program (approximately \$4,500/year)
- Community Action Board, Inc. (approximately \$1,244/year for the Shelter Project)

2. Outstanding Issues from 1993 Housing Element

Items of business unfinished from the 1993 Housing Element include:

- Adoption of second unit ordinance (*completed November 2003*)
- Rezoning to provide additional sites for very low and above moderate income units

During this current planning period, the City will complete its efforts to adopt a second unit ordinance (ordinance was adopted and became effective in November 2003) and will amend the zoning ordinance to allow additional residential development and promote affordable housing, through amending the text of the CC district to allow multiple family residential development, and to apply the Affordable Housing Overlay District to ensure that when properties are "upzoned", that the public benefits from the density increase by requiring substantial affordability.

3. Analysis of Implementation of Prior Housing Element

The review of progress toward implementation (see paragraph 1 above), as well as the table below that reviews attainment of quantified objectives, reveals that the City of Capitola has been enormously successful with its affordable housing program. Although the private housing market did not absorb the available sites at the rate projected by the regional fair share numbers, affordable housing was preserved and constructed, and new programs assisting with affordable housing were implemented. Available housing sites continue to provide the opportunity to meet the regional housing needs allocation. However, in order to better ensure that the housing market is knowledgeable about available sites appropriately zoned, the City has prepared a detailed lot-by-lot inventory of available sites and dwelling unit capacity. This information is provided as Appendix One to the Housing Element and is available to developers and property owners.

A key need continues to be for rental housing affordable to very low and low income households. The Redevelopment Agency's Implementation Plan and Housing Strategy has identified this type of new construction project as its top priority. Public funding sources, combined with the Affordable Housing Overlay District, and opportunity sites located in the CC Community Commercial zoning district, offer the best possibilities for realizing such a housing development. The Affordable Housing Overlay District is designed to obtain a substantial amount of affordable housing in exchange for rezoning of certain sites for higher density, through use of a development agreement. These two mechanisms, in particular, should allow both private and non-profit housing developers with opportunity to develop urban infill housing projects in proximity to transportation corridors and jobs. This type of housing will continue the trend of the RDA's Dakota Apartments project and the Grau mixed use project currently under construction.

Table 16
City of Capitola
Progress toward Implementing the 1993 Housing Element Programs

	Total	Very Low Income	Low Income	Moderate Income	Above Moderate Income
RHNA Goals of the 1993 Housing Element	336	88	-	-	248
New Housing Opportunities Identified in 1993 Housing Element	336	88	-	-	248
Units built 1992-1999	145	31 (Habitat for Humanity and Dakota Accessible Housing)	-	-	114
Rehabilitation Goals Identified in 1993 Housing Element	150	12	13	125	
Units rehabilitated 1992-1999	150+	12	38	Moderate and above moderate income units well maintained through private market (reference Section II.B.3, above)	
Preservation Goals Identified in 1993 Housing Elements	203	12	191	-	
Affordable units preserved 1992-1999	203	12	1393 (all existing high density and mobile homes)	1262 (all existing attached homes between (4-19 units)-	

B. Goals. Policies and Programs of the 2000-2007 Housing Element

The goals of the 2000-2007 Housing Element are formulated based on information provided in the Housing Needs Assessment and Constraints sections of this document and input from the City Council, Planning Commission and Housing Advisory Committee. Six goals are identified. Housing programs for the planning period are directed at meeting the City's Housing Goals and Policies and the five State-specified major areas, presented in Table 17 below. These programs are presented according to their corresponding goal. A summary description of each program, its funding sources, and timing and responsibility for implementation is provided below:

GOALS:

- 1. Maintain and preserve the character of the existing residential neighborhoods.**
- 2. Maintain existing affordable housing inventories in the City.**
- 3. Encourage new affordable housing opportunities through construction of new units.**
- 4. Provide housing opportunities for people with special needs, specifically the elderly, people with disabilities, and families with children.**
- 5. Encourage design of residential development that allows people to live and work in Capitola.**
- 6. Encourage sustainable development. Sustainable development is development that balances economic gains with the integrity of the environment and the social needs of the community, using resources in ways that will not be detrimental to future generations.**

For each goal, a series of policies and programs to help implement the goal are identified.

GOAL 1: MAINTAIN AND PRESERVE THE CHARACTER OF THE EXISTING RESIDENTIAL NEIGHBORHOODS

- Policy 1.1:** Establish guidelines to control the size, scale and appearance of single family residential development to be compatible with Capitola's traditional or "cottage" character of neighborhoods.
- Policy 1.2:** Review new and substantially rehabilitated residential construction to ensure compatibility with existing scale and architectural character of residences in the surrounding neighborhood.
- Policy 1.3:** Protect the integrity of existing single family neighborhoods by promoting good site design and architecture.

- Policy 1.4:** Protect the integrity of residential neighborhoods by directing traffic intensive uses to locations on or near major transportation routes.
- Policy 1.5:** Discourage replacement of mobile home units with manufactured units that are of sizes and styles that are not compatible with the overall character of the mobilehome park.
- Policy 1.6:** Continue to utilize the City's code enforcement program to bring substandard units into compliance with City codes and to improve overall housing conditions in Capitola.
- Policy 1.7:** Continue to administer and expand programs that assist with maintenance and repair of the City's housing stock.

Program 1.a. Capitola Housing Rehabilitation Program: This program is administered by the County Housing Authority under contract with the Capitola Redevelopment Agency, and funded primarily with LMIHF funds and HOME and CDBG program re-use funds when available. The program is designed to assist low-income households correct health and safety problems in their homes using licensed contractors, with oversight by the Housing Authority to ensure the eligibility of the work proposed. These households would otherwise be unable to afford the expense of rehabilitation. Repayment of the rehabilitation loan is deferred until the borrower sells or refinances the home, with simple annual interest accruing at the rate of 3% per annum. To date this assistance has been provided to owner-occupants of mobile homes and single-family homes. At this time, program changes are proposed to provide low interest loans to owners of multi-family rental properties that house low and moderate income residents, in exchange for ongoing affordability terms.

- Expected funding is \$100,000 per year, consisting of LMIHF, HOME Re-Use, other funding sources as available and as needed.
- Objective: 43 owner-occupied units and 92 multi-family rental units over planning period.
- Timing: On-going
- Responsibility: City/RDA staff and the Housing Authority

Program 1.b. Code Enforcement: This is an ongoing effort by the City to bring substandard units into compliance with City codes. As part of this program, property owners are informed of the rehabilitation assistance available to eligible property owners to correct health and safety-related code violations. This program is administered by City staff.

- Objective: to bring substandard units into compliance with City codes and to improve overall housing conditions in Capitola.
- Timing: On-going
- Responsibility: City/RDA staff

GOAL 2: MAINTAIN EXISTING AFFORDABLE HOUSING INVENTORIES

- Policy 2.1:** Continue monitoring of existing affordable housing developments located within Capitola, and take actions necessary to thwart conversion of affordable units to market rate.
- Policy 2.2:** Protect the affordability of existing mobile home parks by providing assistance for resident acquisition, and requiring that mobile home units remain affordable for a term that is relative to the amount of public assistance granted.
- Policy 2.3:** Continue to implement the Rent Stabilization Ordinance, which stabilizes the space rents at affordable rates in local mobile home parks.
- Policy 2.4:** Continue to implement the Condominium Conversion Ordinance, which preserves and protects the city's apartment housing stock.
- Policy 2.5:** Continue to coordinate with the Housing Authority of the County of Santa Cruz to maintain and expand the Section 8 housing vouchers available to Capitola residents.

Program 2.a. First-Time Homebuyer and Mobile Home Deferred Second Mortgage

Program: This program, in operation for approximately one year, provides deferred second mortgages to low-income first-time homebuyers at 3% simple annual interest. Since this program began, City/ RDA staff has worked actively with the Housing Authority, which is administering the program on behalf of the City/RDA, to publicize the program and facilitate purchases. Mobile homes are the primary housing type within the price range of this program, but all types of owner-occupied units are eligible.

- Expected funding from the LMIHF and other sources (HOME Re-use, AHP) is approximately \$75,000 annually (ongoing).
- Objective: 5 units over planning period (not including potential assistance to residents buying shares in resident-owned limited equity cooperative mobilehome park acquisition projects)
- Timing: On-going

Program 2.b. Mobilehome Park Resident Acquisition Feasibility Studies: These studies have been funded with RDA funds as well as a planning/technical assistance grant from CDBG. The studies explore the feasibility of resident acquisitions of one or more privately-owned mobile home parks into cooperative resident ownership. Since 1995, the City has completed feasibility studies of six mobile home parks. In the future studies for other parks, or Phase II studies for parks previously studied, will be undertaken to respond to residents' requests.

- Funding from CDBG: \$35,000 for three feasibility studies; \$20,000 from LMIHF proposed for future fiscal years for studies of additional parks as needed.
- Objective: Three other Phase 1 or Phase 2 studies as needed during this planning period, based on resident interest.
- Timing: On-going

- Responsibility: City/RDA staff, and Housing Authority under contract

Program 2.c. Mobile Home Resident Acquisition Projects: This objective provides matching funds from the LMIHF for financial and technical assistance to mobile home parks residents to facilitate their acquisition efforts. Primary funding is available from MPROP and/or bond issuance.

- Proposed funding: \$400,000 in RDA LMIHF matching funds; State MPROP, CDBG, HOME; AHP and other funding sources that may be identified, including owner-financing
- Objective: 1-3 park acquisitions during this planning period, depending on resident interest, completed by December 2007.
- Timing: On-going
- Responsibility: City/RDA staff, and Housing Authority under contract

Program 2.d. Security Deposit Program: This program is administered by the County Housing Authority and funded with LMIHF funds. The objective of this program is to provide low-income households who may have been homeless or are at risk of becoming homeless with the funds they need to get into decent rental housing. Expenses eligible for assistance are the security deposit and last month's rent.

- Funding: \$15,000 annually
- Objective: assist 7-10 households per year
- Timing: On-going
- Responsibility: City/RDA staff, and Housing Authority under contract

Program 2.e. Emergency Housing Assistance: This program is administered by the Community Action Board. The objective of this program is to provide emergency, short-term housing payment assistance to low-income families to prevent eviction or foreclosure leading to homelessness. The assistance granted must be used for the household's rent or mortgage payment in cases where a job loss, medical emergency or similar event has precluded the household from making their regular housing payment. The household must have no other funds available to make this payment, and must be below very low income limits, with either children or a disabled adult in the household. .

- Expected funding: \$60,000 annually
- Objective: assist 15-20 households per year
- Timing: On-going
- Responsibility: City/RDA staff, and CAB under contract

Program 2.f. Section 8 Housing Vouchers: through this federally funded program, low income households can receive rental subsidies that fill the gap between what rents cost and what the households can afford. This program is administered by the County Housing Authority. .

- Expected vouchers 141-150 during planning period
- Objective: Maintain and expand voucher program use in Capitola, 150 residents during planning period
- Timing: On-going
- Responsibility: Housing Authority; City/RDA support for Housing Authority efforts to pursue opportunities to attract additional Section 8 vouchers

Program 2.g. City Rent Stabilization Ordinance for Mobile Home Parks. The Rent Stabilization Ordinance protects mobile home park residents from unreasonable increases in space rents. The City has and continues to uphold the Rent Stabilization Ordinance against legal challenges.

- Expended effort: an estimated \$125,000 to defend ordinance against legal challenges.
- Objective: maintain the rent stabilization ordinance.
- Timing: On-going
- Responsibility: City/RDA staff, and City Attorney

Program 2.h. Condominium Conversion Ordinance: The City has a Condominium Conversion Ordinance in place that regulates the conversion of apartments to condominiums by requiring that 35% of the units be made available to low and moderate income households.

- Objective: maintain affordability of apartments.
- Timing: On-going
- Responsibility: City/RDA staff, and City Attorney

GOAL 3: ENCOURAGE NEW AFFORDABLE HOUSING OPPORTUNITIES THROUGH CONSTRUCTION OF NEW UNITS

Policy 3.a: Amend the CC (Community Commercial) zoning district to allow residential and mixed-use development of commercial sites at a density of 25-30 units per acre with a Conditional Use Permit and Architectural and Site Review. Amend the CN (Neighborhood Commercial) zoning district, which already allows mixed use development at high densities, to establish a desired density range of 20-25 units per acre, and review and revise the CN use and development standards as necessary to better address mixed use development. Consider establishing a Mixed Use Overlay District or Mixed Use Design Guidelines to establish mixed use development standards, but ensure that such standards or guidelines do not constrain existing flexibility of development standards in the existing mixed use districts.

Policy 3.b: Establish an Affordable Housing Overlay District for application on multiple-family residential housing opportunity sites, to allow for densities of 15 to 25 units per acre, and/or a 50% density bonus. Allow increased density on the opportunity sites through negotiation and approval of a Development Agreement between the property owner and the City, with the Agreement to addresses provision of a substantial level of affordable housing, and any phasing, temporary/permanent relocation, and replacement housing needs.

Policy 3.1: Submit an application for CDBG Planning and Technical Assistance grant funds in Spring 2004, for the purpose of funding a feasibility study of new construction housing projects on the housing opportunity sites identified by

the Housing Element. City staff to conduct outreach to attract 2 or 3 property owners to the study effort, with the city's preferred sites being the city's McGregor site, 600 Park Avenue site, and 1066 41st Avenue site. City and Redevelopment Agency staff will work with owners of housing opportunity sites identified by Table 14 of the Housing Element to prepare concept plans, conduct feasibility studies, rezone properties and/or carry out other pre-development activities, including but not limited to discussing use of the Planned Development approach and/or Affordable Housing Overlay Districts in conjunction with Development Agreements. For the McGregor site, the city will need to pursue a Local Coastal Program amendment to either allow multiple family residential under the VS zoning, or to recognize shift of the beach shuttle parking lot to an alternate location, and to allow for affordable housing to be constructed under the AHO District.

- Policy 3.2:** Adopt a second unit ordinance that will permit second units on designated single family lots of 5,000 square feet or greater. (Adopted and effective November 2003)
- Policy 3.3:** Adopt a density bonus ordinance consistent with State law.
- Policy 3.4:** Adopt an inclusionary zoning ordinance that requires all new residential and mixed use development of a certain size to provide a designated percentage of new units at rents/prices affordable to low and moderate income households; and requires construction of units rather than payment of in-lieu fees. For smaller projects, allow an in-lieu payment. As appropriate, inform for-profit developers that partnerships with non-profit developers such as Habitat for Humanity may enhance the feasibility of the housing project through ability to access other affordable housing funds.
- Policy 3.5:** Initiate a housing trust fund to raise new sources of monies for affordable housing. Deposit inclusionary in-lieu payments to the Housing Trust Fund.
- Policy 3.6:** Continue to utilize available financing to assist with the provision of new affordable housing development, particularly for families with children. Support the efforts of non-profit organizations such as Habitat for Humanity in the development of affordable housing, such as by pursuing and providing affordable housing funding, and by providing other incentives such as expedited project review, reduced fees, and/or reduced development standards.

Program 3.a. Zoning Code Revisions: The City will undertake the zoning code revisions identified in new Policy 3.a, Policy 3.b, Policy 3.2, Policy 3.3, and Policy 3.4, in order to augment the number of sites for affordable housing in the City.

- Objective: code amendments and new Affordable Housing Overlay district to encourage development of affordable housing
- Timing: Completion by December 2004.
- Responsibility: City/RDA staff, and City Attorney

Program 3.b. Affordable Housing Development Program: The City will coordinate with property owners, nonprofit housing developers, and others to facilitate development of housing affordable to low and moderate income households. In accordance with new Policy 3.b and Policy 3.1, where necessary to achieve affordability, the City will work with property owners to obtain and/or provide financial assistance to make feasible the development of the very low and low income affordable housing identified in Table 14. Funding sources will include: HOME Program, LMIHF, CDBG, CHFA, HELP, Section 8, Section 202, bond financing and other available state, federal, and private foundation funding programs and sources. Submit a CEBG PTA \$35,000 grant application in Spring 2004 to fund development feasibility studies of from 1 to 3 housing opportunity sites.

- Objective: provide technical and financial assistance to encourage development of affordable housing
- Timing: On-going through December 2007.
- Responsibility: City/RDA staff, Property Owners, Non-Profit Housing Providers

Program 3.c. Housing Trust Fund: At the time the Inclusionary Housing Ordinance is adopted, the City shall establish a Housing Trust Fund, to be funded with any in-lieu fees collected under that ordinance.

- Objective: provide technical and financial assistance to encourage development of affordable housing
- Timing: On-going through December 2007.
- Responsibility: City/RDA staff, Property Owners, Non-Profit Housing Providers

GOAL 4: PROVIDE HOUSING OPPORTUNITIES FOR PEOPLE WITH SPECIAL NEEDS, SPECIFICALLY THE ELDERLY AND PEOPLE WITH DISABILITIES

- Policy 4.1:** Encourage new and substantially rehabilitated housing development to utilize universal design principles that create environments that can be used by all people, to the greatest extent possible, without the need for adaptation or specialized design.
- Policy 4.2:** Promote use of existing housing rehabilitation programs for disabled access conversions.
- Policy 4.3:** Encourage and support the enforcement of laws and regulations prohibiting discrimination in lending practices and in the sale or rental of housing.
- Policy 4.4:** Support housing service providers that offer assistance to Capitola's homeless and special needs population, through continued annual funding allocations from the City's Community/Human Services grant program and the RDA's Housing Program, for fair housing, senior, homeless, and special needs housing and service providers.

Program 4.a. Fair Housing: Fair housing information, legal assistance for eligible households, and tenant-landlord dispute mediation are available from the offices of California Rural Legal Assistance (formerly Legal Aid), and the Office of Consumer Affairs in the County District Attorney's office. Information and resources are provided to both tenants and landlords regarding their rights and responsibilities.

- Objective: provide fair housing information to tenants and landlords
- Timing: On-going through December 2007.
- Responsibility: City and County staff, and City Council (budget authorization)

Program 4.b. Barrier-Free Housing: Through this program, the City promotes implementation of State standards for the provision of disabled accessible units in new developments, and provides technical assistance to prospective homeowners, contractors and developers regarding barrier free housing. This program also provides funding opportunities through the City rehabilitation programs to assist low and moderate income disabled residents modify their homes to improve accessibility.

- Objective: provide technical and financial assistance to encourage barrier free housing
- Timing: On-going through December 2007.
- Responsibility: RDA staff, City Planning Officials and Building Official

GOAL 5 ENCOURAGE SITING AND DESIGN OF RESIDENTIAL DEVELOPMENT THAT ALLOWS PEOPLE TO LIVE AND WORK IN CAPITOLA

- Policy 5.1:** Examine the City's parking ordinance to determine if the number and type of parking required for residential development should be reduced. Allow for shared parking for mixed use developments.
- Policy 5.2:** Establish reduced parking standards for senior and special needs housing.
- Policy 5.3:** Place higher density housing close to transportation corridors, including bus routes and arterial roadways.
- Policy 5.4:** Coordinate with transit service providers to expand service to Capitola's residential and mixed use districts.
- Policy 5.5:** Provide housing in close proximity to employment.
- Policy 5.6:** Establish a policy to inform and market new affordable housing constructed pursuant to Capitola's housing programs to existing Capitola residents and employees.

Program 5.a. Zoning Code Amendments: Complete a comprehensive update of the zoning ordinance, including but not limited to amending the CC district to allow for multiple-family residential uses, creating the Affordable Housing Overlay District, establishing shared parking provisions, reducing residential parking requirements.

- Objective: Ensure availability of commercial sites for urban infill housing, and that sites that are identified for additional density are processed under Affordable Housing Overlay provisions so that a substantial amount of affordable housing is achieved in exchange for the increase in density.
- Timing: Complete by December 2004.
- Responsibility: City planning staff, and City Attorney

Program 5.b. Application of Affordable Housing Overlay (AHO) District: Complete local adoption of AHO District by Spring/Summer 2004, with Coastal Commission review and approval of the amendments to occur in Fall 2004, such that the AHO district can be applied to housing opportunity sites in Fall 2004, so that housing projects could be approved under the AHO district no later than December 2004.

- Objective: code amendments and new Affordable Housing Overlay district to encourage development of affordable housing
- Timing: Completion by December 2004.
- Responsibility: City/RDA staff, and City Attorney

Program 5.c. Review by Architectural and Site Review Committee. Continue to have projects be reviewed by the Architectural and Site Review Committee for consistency with water-efficient landscaping ordinance (Chapter 17.97, review criteria of architectural and site review ordinance, including solar orientation and other factors (Chapter 17.63), compliance with building code and water district water conservation requirements, and for compatibility with transit and alternative transportation goals and policies.

- Objective: Encourage sustainable development practices.
- Timing: Ongoing through December 200.
- Responsibility: City planning and building staff; Architectural and Site Review Committee, Planning Commission, and City Council

GOAL 6 ENCOURAGE SUSTAINABLE DEVELOPMENT. SUSTAINABLE DEVELOPMENT IS DEVELOPMENT THAT BALANCES ECONOMIC GAINS WITH THE INTEGRITY OF THE ENVIRONMENT AND THE SOCIAL NEEDS OF THE COMMUNITY, USING RESOURCES IN WAYS THAT WILL NOT BE DETRIMENTAL TO FUTURE GENERATIONS

Policy 6.1: Promote green building techniques, development and construction standards that provide resource conservation by encouraging housing types and designs that use cost-effective energy conservation measures and fewer resources (water, electricity, etc.) and therefore cost less to operate over time, thereby supporting long-term housing affordability for occupants.

Policy 6.2: Promote the use of renewable energy technologies (such as solar and wind) in new and rehabilitated housing when possible.

Policy 6.3: Plan new development, including residential and other types of development, for people rather than for automobiles. Encourage mixed-use developments and mixed-use districts.

Program 6.a. Review by Architectural and Site Review Committee. Continue to have projects be reviewed by the Architectural and Site Review Committee for consistency with water-efficient landscaping ordinance (Chapter 17.97, review criteria of architectural and site review ordinance, including solar orientation and other factors (Chapter 17.63), compliance with building code and water district water conservation requirements, and for compatibility with transit and alternative transportation goals and policies.

- Objective: Encourage sustainable development practices.
- Timing: Ongoing through December 200.
- Responsibility: City planning and building staff; Architectural and Site Review Committee, Planning Commission, and City Council

C. Capitola's Housing Goals Relative to State's Major Housing Goals

According to Section 65583 of the State Government Code, a city's housing programs must address the following five major areas:

- Conserving and improving the condition of the existing stock of affordable housing.
- Providing adequate sites to achieve a variety and diversity of housing.
- Assisting in the development of affordable housing.
- Removing governmental constraints.
- Providing housing related services, including the promoting of equal housing opportunity.

Each of these five major areas relate to the City Housing Goals as presented above.

Table 17

State Government Code Major Areas and City Housing Goals

State Government Code Major Areas	City Housing Element Goals
Conserving and improving the condition of the existing stock of affordable housing.	GOAL 1: Maintain and preserve the character of the existing residential neighborhoods.
Providing adequate sites to achieve a variety and diversity of housing.	GOAL 2: Maintain existing affordable housing inventories in the City GOAL 3: Encourage new affordable housing opportunities through construction of new units GOAL 4: Provide housing opportunities for people with special needs, specifically the elderly and people with disabilities GOAL 5: Encourage design of residential development that allows people to live and work in Capitola GOAL 6: Encourage sustainable development.
Assisting in the development of affordable housing.	GOAL 3: Encourage new affordable housing opportunities through construction of new units GOAL 4: Provide housing opportunities for people with special needs, specifically the elderly and people with disabilities GOAL 5: Encourage design of residential development that allows people to live and work in Capitola GOAL 6: Encourage sustainable development.
Removing governmental constraints.	GOAL 4: Provide housing opportunities for people with special needs, specifically the elderly and people with disabilities GOAL 5: Encourage design of residential development that allows people to live and work in Capitola GOAL 6: Encourage sustainable development.
Providing housing related services, including the promoting of equal housing opportunity.	GOAL 2: Maintain existing affordable housing inventories in the City GOAL 3: Encourage new affordable housing opportunities through construction of new units GOAL 4: Provide housing opportunities for people with special needs, specifically the elderly and people with disabilities GOAL 5: Encourage design of residential development that allows people to live and work in Capitola GOAL 6: Encourage sustainable development.

D. QUANTIFIED OBJECTIVES

Through the housing programs outlined above, the City of Capitola aims to obtain the quantified objectives pursuant to State Housing Law. Each jurisdiction is required to establish the minimum number of housing units that will be constructed, rehabilitated, and conserved over the Housing Element planning period. The quantified objectives for this Element, as presented in Table 18, are summarized by income classification for the current (through to year 2007) planning period.

The quantified objectives of the fair share allocation of the Housing Needs Assessment are required to be part of the Housing Element, and the City will strive to achieve them. Capitola is committed to providing adequately zoned sites to accommodate its allocation, and to facilitate construction of affordable housing through all means available to the City. Actual construction of these units will depend on the private development market as well as available public funding needed to close the present gap between affordability of housing resources and incomes.

In addition to new construction, the City expects to continue and expand its rehabilitation and conservation efforts as needed to meet the community's low and moderate income housing needs, as described in this Housing Element. During the current planning period (through 2007), the City expects that a total of 337 single and multifamily units may be constructed. The City also expects to achieve the rehabilitation of the 135 housing units, and the conservation of 3,288 units as housing units affordable to and occupied by very low, low and moderate income households.

Table 18
City of Capitola Housing Element Quantified Objectives
Current Planning Period (through 2007)

Income Level	New Construction Objectives	RHNA Allocations	New Construction Objectives vs. RHNA	Rehabilitation	Conservation ¹⁹	TOTAL
Very Low	82	82	0	45	75	202
Low	93	41	+52	80	2,702	2,875
Moderate	92	63	+15	10	511	613
Above Moderate	70	151	-81	0	1,462	1,532
Total Affordable	267	186	+81	135	3,288	3,690
TOTAL ALL	337	337	SAME TOTAL	135	4,750	5,222

¹⁹ Conservation estimates are based on conserving the city's existing housing stock. Affordability of existing units was estimated as follows, based on prevailing market conditions, known affordability restrictions, and 2000 census estimates of the city's housing stock by tenure and units in structure (SF3 H32): Very low includes 43 units restricted to very low income households, plus 32 renter-occupied mobile home coaches. Low includes all other rental units plus half of the owner-occupied mobile home coaches. Moderate includes the other half of owner-occupied mobile homes plus all other owner-occupied units (single family). Above moderate includes all single family homes and townhomes.



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NAME	ADDRESS	CITY	STATE	ZIP
1	1234	567	890	123
2	456	789	012	345
3	678	901	234	567
4	890	123	456	789
5	012	345	678	901
6	234	567	890	123
7	456	789	012	345
8	678	901	234	567
9	890	123	456	789
10	012	345	678	901

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